

# THE INDONESIAN QUARTERLY

VOL. XV, NO. 1, 1987



Current Events

Indonesia-Singapore Relations: What to be Done

Indonesia-Singapore Relations:  
Looking towards the 1990s

Singapore-Indonesia Relations: A View

Business Relations between Singapore and Indonesia

Towards a Shared View  
on the Future of Southeast Asia

ASEAN Co-operation:  
Problems and Prospects

ASEAN's Participation in the GATT

Internal Developments in Singapore

Book Reviews



# THE INDONESIAN QUARTERLY

CENTRE FOR STRATEGIC AND INTERNATIONAL STUDIES, JAKARTA

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### The 1987/1988 Budget: A Tighter Belt

The 1987/1988 proposed budget was announced on January 6 1987 amidst much speculations about its content as well as expectations of accompanying measures. The conservative proposed budget appears to have been well received and has reduced some of the uncertainties faced by the business sector in the month before the budget announcement.<sup>1</sup> The government has adopted its traditional conservative stance by adopting an oil price of US\$15/barrel and allayed fears by many observers that they would use an US\$18/barrel price. After all it is still uncertain for how long the higher price can be maintained.

In order to analyse the implications of the 1987/1988 budget one really need to compare it with estimated realised values of the 1986/1987 budget rather than the proposed values (based on US\$25/barrel oil price) which are no longer valid due to the drastic fall in oil prices. Table 1 and 2 provide figures for the proposed budgets as well as estimated realised figures. The annual realised figures are based on estimates of oil revenues based on lower oil prices, effects of devaluation and estimates of the first semester realised figures.<sup>2</sup> A closer examination of the figures reveal the following trends.

It should be noted that devaluation did not "save" the budget and was not intended to do so. Devaluation was undertaken for balance of payments reason. In both budgets any increase in revenues from oil was offset by in-

<sup>1</sup>As evidenced by the fall in the volume of transactions in the bourse. The total amount of turnover in the month of December had reached US\$1.8 bill.

<sup>2</sup>The estimates are very rough. Whenever appropriate the annual figure is just twice the estimated first semester figure. If the first semester figure is much lower than half of the target, some adjustments are made. Devaluation and oil price adjustments are made accordingly.

creased debt service payments. Devaluation however, has the effect of increasing the role of foreign sourced revenues, especially project and programme aid.

## Revenues

Total revenues are expected to increase 6.4 per cent over the 1986/1987 budgeted figures. This reflects a real increase of around -2 per cent to 2 per cent for inflation rates of 4 per cent to 8 per cent.<sup>3</sup> A rough estimate of realised total revenues of around 20 trillion for 1986/1987 implies a nominal increase of around 13 per cent or a real increase of around 5 per cent to 9 per cent. This is still low compared with the nominal increase of 28 per cent per annum during the oil boom period.

### *Domestic Revenues*

Tax revenues from the oil and LNG sectors are expected to fall by 28.7 per cent reflecting the fall in oil prices. Estimated first semester (until the end of September) figures showed that Rp. 2,960 billion have already been received. The realised figure for the budget year should be slightly more than double this amount given that oil prices were at their lowest<sup>4</sup> around the August/September period and due to the devaluation. It is estimated to be around Rp. 6,000 to Rp. 6,500 billion which implies an increase in the 1987/1988 budget year of 6 per cent to 15 per cent. The low increase in the budgeted 1987/1988 figure over the realised 1986/1987 figure given the contribution of devaluation provides a rough indication of the conservative estimates made by the government of any expected increase in oil revenues due to an increase in oil prices.

### *Non-oil Revenues*

Non-oil revenues are expected to play a greater role in providing funds for the government and for the first time the share of non-oil revenues (60 per cent) out of domestic revenues was higher than the share of oil revenues (40 per cent). The focus is on increasing and intensifying tax revenue collection. The income tax and VAT tax is expected to increase substantially by 15.1 per cent and 65.4 per cent. Despite the good performance of VAT revenue collection in the first semester of the 1986/1987 budget with 63 per cent of the target being realised, the increase of 65.1 per cent appears to be over ambitious. Income tax collection did not perform as well as in the first semester, with only 40 per cent realised and the 15.1 per cent expected increase also seems high. While some increase in revenues collected in 1987/1988 can be expected, it is debatable

<sup>3</sup>The inflation rate for April-December 1986 was 7.3 per cent so that it is expected to be around 9 per cent for the 1986/1987 budget year and slightly lower for the coming year.

<sup>4</sup>Although higher prices in the later months are offset by lower production.

whether increased auditing and improvement in the administration of VAT collection could substantially increase tax revenues by the 30 per cent needed over estimated realised revenues for 1986/1987.

Other sources of domestic revenues are not expected to change but a net revenue is expected from the domestic sales of petroleum products. If oil prices rise, the net revenue will fall and at a high enough price,<sup>5</sup> the government could be paying out a subsidy again if there is no increase in the price of domestic fuel in 1987. The 1987/1988 figure is lower than the 1986/1987 estimated realised figures. By the first semester Rp. 639 billion had been realised, so that for the budget year the value could be around Rp. 1,000-1,200 billion. Thus, there will be a substantial fall in revenues from this source.

Table 1  
GOVERNMENT BUDGET REVENUES 1986/1987 and 1987/1988  
(Rp. billion)

	1986/1987			1987/1988	% Change	
	Budget (1)	Budget (2)	Semester 1 (estimate)		(1)	(2)
Domestic Revenues	17,832	15,168	7,473	17,236	- 3.3	13.6
Oil & LNG	9,738	6,000	2,960	6,939	-28.7	15.6
Oil	8,145			5,978	-26.6	
LNG	1,593			961	-39.7	
Non Oil & LNG	8,094	9,168	4,514	10,298	27.2	12.3
Income Tax	2,881	2,500	1,121	3,316	15.1	32.6
VAT/Sales Tax	2,143	2,700	1,350	3,546	65.4	31.3
Import Duty	580	580	412	662	14.1	14.1
Excise Tax	1,055	1,055	477	1,076	2.0	2.0
Export Tax	79	59	28	71	-10.0	20.3
Property Tax	284	144	48	274	- 3.5	90.3
Other Taxes	119	176	88	190	59.2	7.9
Non Tax Revenues	954	954	351	1,049	10.0	10.0
Net BBM Revenues	0	1,000	639	114	-	-88.6
Development Revenues	3,589	4,979	1,546	5,547	54.6	11.4
Programme Aid	81	397	397	121	49.0	-130.5
Project Aid	3,508	4,582	1,148	5,426	54.7	18.4
Total Revenues	21,422	20,147	9,019	22,783	6.4	13

Source: Nota Keuangan & own estimates.

### *Development Revenues*

Project and programme aid show a substantial increase of 54.6 per cent over the 1986/1987 figure. Much of this increase is due to the devaluation. After

<sup>5</sup>Some estimates have put the breakeven price at US\$16/barrel.



taking into account the devaluation and the unexpected increase in programme aid such that the first semester realised figure is almost 5 times the budgeted figure for the year, development revenues for 1986/1987 should be around Rp. 5,000 billion which implies an increase of 11 per cent in the 1987/1988 estimate. This means that there is increased reliance on foreign aid with 33 per cent of the total revenues coming from this source compared with 20 per cent in the 1986/1987 budget and 23 per cent in the 1985/1986 budget.

The main increase in project aid that is expected to help both the budget and the balance of payments, is the new item termed as additional project aid of Rp. 1,006.8 billion. The additional aid comes in the form of foreign exchange that can be converted into Rupiahs. Therefore if the funds are kept in foreign currency it will increase the foreign exchange reserves and it can also be converted to Rupiahs to finance projects without increasing imports since the utilisation is limited to the Rupiah financing of certain projects.

## **Expenditures**

The expenditure side of the budget provides an even more contractionary picture of the budget with little increase in spending that will stimulate the domestic economy.

### *Routine Expenditure*

Routine expenditures are expected to increase by 14 per cent but all of this increase can be attributed to the increase in debt service payments. Debt service payments increased by 61.7 per cent from the 1986/1987 budgeted figure due to the devaluation and the appreciation of non-dollar currencies against the dollar since around 69.1 per cent of the total debts are denominated in non-dollar currencies.<sup>6</sup> The share of debt expenditure out of routine expenditure has gone up from 32 per cent to 45 per cent.

The increase in revenues used for debt servicing implies less revenues available for other routine expenditures. Civil service expenditures only increased by 2 per cent which means a negative real increase, goods procurement have fallen by 14 per cent and foodstock financing has been eliminated.

Observation of the first semester figures show that there will only be a slight cut of around Rp. 300 billion in goods procurement and the elimination of oil subsidies. Other items are not expected to decrease, while the debt service payments will increase substantially to around Rp. 6,000.

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<sup>6</sup>31.7 per cent in Yen, 6 per cent in DM, 3.3 per cent in French Franc, 3.2 per cent in Netherlands Gulden and 2.3 per cent in English Poundsterling. (P.T. Data Consult, *ICN*, No. 308, 22nd December 1986.)



Table 2

GOVERNMENT BUDGET EXPENDITURES 1986/1987 AND 1987/1988  
(Rp. billion)

	1986/1987			1987/1988	% Change	
	(1) Budget	(2) Budget	Semester 1 Realised (estimate)	Planned Budget	(1)	(2)
Routine Expenditures	13,126	14,167	5,745	15,027	14.5	6.1
Civil Service	4,213	4,258	2,129	4,317	2.5	1.4
Salaries/Pensions	3,211	3,211		3,276	2.0	2.0
Goods Procurement	1,366	1,976	488	1,175	-14.0	-20.0
Regional Subsidies	2,640	2,556	1,278	2,649	0.4	3.6
Debt Interest & Installment	4,223	6,253	1,789	6,805	61.1	8.8
Domestic	40	40		40	-	-
Foreign	4,183	6,213		6,765	61.7	8.9
Food Stock Financing	417			-	-	-
Other Routine Expenditures	266	124	62	80	-70.0	-35.5
Oil Full Subsidies	142	-		-	-	-
Others	124	124		80	-35.4	-35.5
Development Expenditures	8,296	8,830	3,272	7,757	- 6.5	-12.1
Rupiah Financing	4,788	4,248	2,124	2,331*	-51.3	-45.1
Ministries/Agencies	1,782	n.a.	683	602	-66.2	n.a.
Defence	306	n.a.	153	150	-50.9	
Regional Development	257	n.a.	714	247	- 3.5	
Inpres Projects	1,315	n.a.		931	-29.2	
East Timor	7	n.a.	2	5	-30.6	
Fertiliser	672	n.a.	291	203	-69.7	
Equity Investment	207	n.a.	54	83	-59.8	
Others	244	n.a.	227	109	-55.3	
Project Aid	3,508	4,582	1,148	5,426	54.7	18.4
Total Expenditures	21,422	22,997	9,018	22,783	6.4	- 0.9

(1) Budget based on oil prices US\$2,516

(2) Estimated budget after devaluation and lower oil prices

\*Excluding project aid in Rupiah currency.

Source: Nota Keuangan & own estimates.

### Development Expenditures

Development expenditures have been reduced by 6.5 per cent or almost zero in real terms. Given that less revenues are available and that an increasing amount needs to be used for debt service payments, there has been substantial fall in Rupiah financed expenditures. All categories have been cut by almost half compared with the 1986/1987 budgeted figures. Expenditures for government departments/agencies are down by 66 per cent, defence expenditure by 51 per cent, Inpres projects by 29 per cent, East Timor by 31 per cent and fertiliser subsidy by 70 per cent. Looking at the first semester figures only reduc-

tions in expenditures for government departments/agencies (40 per cent realisation) and equity investment (26 per cent) are evident.

Development expenditures from project aid has increased substantially. Any increase in development expenditures on projects is expected to only come from this source since Rupiah financed development expenditures have registered a drastic decline. No new projects will be financed this budget year, with priority given to providing Rupiahs as counterpart funds of project aid, providing Rupiahs to carry on foreign aid projects already under way, providing Rupiahs to employment generating projects (so that Inpres projects are not expected to fall) and to provide Rupiahs for the maintenance and operation costs of existing projects.

### Conclusions

This budget is an austere one, much more so than the 1986/1987 one since part of the increase in expenditures is related to debt service payments. The overall effect of this budget is expected to be contractionary with the fall in development expenditures and the increase in tax revenues from the private sector. Therefore the traditional role of the government as the propeller of the economy is expected to wane which implies that the private sector needs to play a greater role in stimulating the economy. Increased participation of the private sector and market forces is a long term proposition. It will be necessary to first reduce the present uncertainties regarding the direction of changes in economic policy and to be brave enough to restructure the economy so that the correct market incentives can play a role.

*Mari PANGESTU*

### Indonesia Prepares for the 1987 General Election

The Decree of the People's Consultative Assembly (MPR) No. II/MPR/1983 on The Guidelines of State Policy and No. III/MPR/1983 on the General Election stipulate that the General Election, as a vehicle of Pancasila Democracy, is held once every five years directly, generally, freely and secretly, which is to be carried out by the President/Mandatar of MPR. This fourth General Election during the New Order period will be held in 1987.

To implement the MPR decrees real preparations have been made, either by the government by means of preparing the Statutory Regulations or by the



contestants of the General Election, namely PPP (the United Development Party), Golongan Karya (the Functional Group) and PDI (the Indonesian Democracy Party). Apart from that, the security apparatus has made the necessary preparations in support of the smooth running of the forthcoming general election.

### **Preparing the Statutory Regulations**

Since May 1984 the government together with the DPR (the House of Representatives) have drawn up and discussed the draft statutory regulations concerning the 1987 General Election. In May 1985 this bill was agreed by the House of Representatives to be passed, and in June 1985 the Bill has passed the House and became law known as the Package of Five Acts on the Development in the Political Field. Three out of the five Acts are directly related to issues concerning the implementation and aim of the 1987 General Election, namely: (1) the Act on the General Election; (2) the Act on the composition and Position of MPR, DPR and DPRD (the Regional DPR); and (3) the Act on Political Parties and the Functional Group.

As a follow up or further implementation of the three Acts, various Government Regulations, Presidential Decisions and those of the Minister for Home Affairs/Chairman of the General Election Institute (LPU) have also been issued. Those regulations are among other things Government Regulation No. 35/1985 concerning the Implementation of the Act on the General Election, Government Regulation No. 36/1985 concerning the Implementation of the Act on the Composition and Position of MPR, DPR, and DPRD, Government Regulation No. 19/1986 concerning the Implementation of the Act on Political Parties and the Functional Group, Presidential Decision No. 13/1986 concerning the Day and Date of the implementation of the General Election, Presidential Decision No. 27/1986 concerning the General Election Campaign, and the Decision of the Minister of Home Affairs/Chairman of LPU No. 25/1986 concerning the Names and Symbols of Political Parties and the Functional Group and the Decision on their respective numbers used in the 1987 General Election.

### **Preparation of the Committee and Personnel of the General Election**

Aside from preparing the Statutory Regulations, as of 1985 preparations have also been made in the formation of the General Election Committee and the Personnel of its members, such as, for example, in November 1985 the President installed the Executive Board of the General Election Institute (LPU), the Advisory Council of LPU, the Election Committee of Indonesia (PPI), who were approved by the Minister of Home Affairs, and the Central



Supervisory Board for the implementation of the General Election. In December 1985 Regional Election Committees were set up hierarchically, either at Level I Regions (PPD I) chaired by the Governor/Head of Level I Region or at Level II Regions (PPD II) chaired by the Regent/Head of Level II Region (District Head)/Major. In addition to those, Supervisory Committees of the General Election at Level I and Level II Regions were also set up. And finally to carry out the casting of votes, Voting Committees were set up in all the electoral regions.

As stipulated by the Decree of MPR-RI No. III/MPR/1983, to give a more effective role to the three socio-political organisations as participants of the General Election in implementation and supervision activities from the central down to regional level, the representatives of political parties and the Functional Group are also made members of the LPU Consultative Council, Indonesia's Election Committee, Election Committees at Level I Regions, Election Committees at Level II Regions, the Central Supervisory Committee for the implementation of the General Election and Supervisory Committees at the regional level.

### **Registration of Voters**

In order to know the number of people having the right to exercise their voting right in the 1987 General Election, registration of voters were held throughout the territory of the Unitary State of the Republic of Indonesia as of May 1 until July 20, 1986. In the event simultaneously a census was also conducted. On the basis of the registration list it turned out that the number of citizens of the Republic of Indonesia totalled 162,921,989 people in 1986, out of whom 93,965,895 have voting rights as disclosed by the Director General for Socio-political Affairs of the Department of Home Affairs before a Working Meeting with Commission II of DPR (House of Representatives).

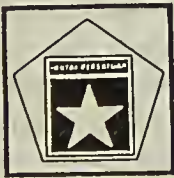


On that basis it can also be noted that compared with the 1982 General Election the number of Indonesian citizens and voters has increased. The number of Indonesian citizens stood at 146,531,733 people in 1982, whereas those who exercised their voting rights totalled 82,133,639 people. There is an increase of around 14 per cent of voters.

### **Submission of the Symbols of the General Election Participating Organisations**




Other preparations which are not less important are the process of submitting and determining the contestants' symbols and the ordering of the number of the three contenders in the General Election which was carried out in June 1986. In its session on 21st June 1986, LPU, with the approval of the

representatives of the three contestants (participants of the general election) determined the ordinal numbers and symbols of the three contestants of the 1987 General Election.

The approved ordinal numbers are as follows: number 1 (one) is the United Development Party (Partai Persatuan Pembangunan) with the symbol of a *Star* (which replaces the symbol of Kaabah used in the 1982 General Election); the following number 2 (two) is Golongan Karya (the Functional Group) with the symbol of a *Banyan Tree* between a stalk of cotton and rice (similar to that adopted in the 1982 General Election); the following number 3 (three) is Indonesian Democracy Party (PDI) with the symbol of a *Bull's Head* only (slightly changed from that adopted in the 1982 General Election which also included a banyan tree flanked by a stalk of cotton and rice). Unlike the 1982 General Election, these symbols of the three contestants in the forthcoming 1987 General Election will be adopted throughout the territory of the Unitary State of the Republic of Indonesia including Irian Jaya (where in the previous election the symbol of Mirror was used for PPP, umbrella for Golkar and Maize for PDI). Another feature in the determination of the symbols is that Golkar constitutes the only participant of the General Election the symbol of which has not undergone any change since the 1971 General Election. In brief the symbols and the ordinal numbers are as follows:

1	2	3
United Development Party (PPP)	Functional Group (Golkar)	Indonesian Democracy Party (PDI)
		

Whereas the symbols and their ordinal numbers adopted in the 1982 General Election were as follows:

1	2	3
United Development Party	Functional Group	Indonesian Democracy Party
		



## Candidacy

As mentioned before, besides preparations the submission of candidates were also made and implemented from 30th July 1986 to 27th September 1986. Candidates' names for members of the DPR (House of Representatives) were submitted by the respective central executive boards of political parties PPP (United Development Party) and PDI (Indonesian Democracy Party) and the Golkar (Functional Group) to the General Election Institute. The candidacy for members of DPR Tingkat I (1st level Regional Representative Council) and 2nd level region Representative Councils are to be submitted by the respective 1st and 2nd Executive Boards of political parties and Golkar to the 1st and 2nd level Regional Election Committees.

According to the list of candidates for members of the DPR (House of Representatives) submitted by the three participating contestants of the forthcoming general election to the General Election Institute, Golkar submitted 800 names of provisional candidates, PPP (Partai Persatuan Pembangunan = United Development Party) also 800 names, while the PDI (Partai Demokrasi Indonesia = Indonesian Democracy Party) submitted 616 names of provisional candidates.

From 28th September to 17th October 1986 those provisional candidates were screened. At present preparations for determining or composing candidates within the context of the forthcoming general election to elect members for the DPR, are in progress as of 17th November 1986 to 25th February 1987. As of January 1987 the names of the candidates who have complied to the set of requirements as listed in the list of candidates were disseminated to the public. The public is kindly requested to give their response with regard to the provisional candidates list and should they notice the existence of some awkward indication with regard to the provisional candidates as listed in the list, they are expected to send their response to the PPI (The Indonesian General Election Committee).

Worth noting in the provisional list of candidates is the many new faces one can observe, including those of the younger generation. For instance, Golkar has indicated that there are 60 per cent of old faces and 40 per cent of new faces, and out of all of those, 20 per cent are of the young generation.

## Preparations by the Contestants

In the meantime the general election participating contestants have made their preparations in support of the forthcoming General Election. Golkar (Golongan Karya = Functional Group) for instance, has consolidated themselves by holding their third national congress in 1983, also meetings of



their executive board members in the month of October 1984, 1985 and 1986. Besides, Golkar has made preparations through cadre forming and has also conditioned its members to win in the forthcoming general election.

The United Development Party, PPP has also made their necessary preparations. Aside from continuously making efforts to enhance the unity within their organisation among other things through their first congress in the month of August 1984, PPP has also made efforts in formulating their campaign themes to be disseminated during the forthcoming campaign period.

PDI has, aside from conducting consolidation activities to increasingly step up the unity of their members in their organisation by holding the third congress in 1986, they also held a meeting of their executive board members in January 1987. Apart from enhancing their unity by holding this meeting of the executive board members, the meeting also purported to formulate their campaign theme and pattern. Within the context of DPR membership, PDI has also indicated that the members of their party may only sit twice their terms (10 years) of service in the DPR.

Aside from all these, there is another problem which should receive due attention, i.e. the emergence of a public response concerning DPR candidates, which virtually came up long before the list of provisional candidates was announced, which regards the quality of DPR members. Some circles in society proposed the elevation of DPR members' quality. Members of the House of Representatives should dare to voice the conscience of the people. This is indeed encouraging in the context of the development of Democracy in Indonesia. The courage of the community to convey their opinions has also been the result of the development of the political field by the New Order government. Development of the political field as implemented has created an atmosphere in which the public could increasingly develop creatively and dynamically.

## Conclusion

Preparations for the forthcoming general election so far made went smoothly. The New Order government endeavours to make the general election, which is held once every five years to ever increase the role of socio-political forces as channels of the people's aspirations in order to realise Democracy which is of the people, by the people and for the people.

However, the Indonesian Nation constantly desires that the general election should not be sheer election of representatives of the people to sit in deliberative/representative institutions, nor to elect representatives of the people to create a new state with a new state philosophy, but to elect representatives of the people to convey the conscience of the people for the continua-

tion of the struggle in defending and developing the independence of the Unitary State of the Republic of Indonesia which has its source in the 17th August Independence Proclamation to fulfill and carry on the Message of the People's Sufferings.

It has further been affirmed that general election constitutes a means, the use of which may not bring about the destruction of the very foundation of Democracy which may even cause sufferings to the people, but should instead guarantee the success of the New Order's struggle, which is to uphold Pancasila and the 1945 Constitution.

The Indonesian nation also consistently desires that the general election should not be coloured by political upheavals which may jeopardise national stability. This seems to be increasingly realised with the determination by socio-political forces, participants of the forthcoming general election to abandon campaign patterns and themes which may arouse inter-creed, groups, racial, religious sentiments. Besides, the assurance of security and order guaranteed by the security apparatus have increasingly been supportive in achieving those desires.

The forthcoming general election of April 1987 constitutes an experiment after all social and political organisations have adopted Pancasila as their sole principle in their sosial, national and state life. Their campaign will be characterised by a struggle in offering and presentation of their respective programmes.

In view of the preparations made by the contestants, the Golkar seems to be the most prepared including their conception as well as their campaign programme. It could therefore be estimated that the Golongan Karya will remain the victor in the contest of the 1987 General Election.

*M. SUDIBJO*

## **The Commander in Chief's Standing Orders**

On 5th October 1986 the Armed Forces of the Republic of Indonesia (ABRI) commemorated their 41th anniversary. On that occasion ABRI made a reflection upon its past performances and accordingly re-affirmed its outlook towards the future. This is obvious from the points of the standing orders given by ABRI's commander in chief on the eve of the commemorative day. The standing orders were as follows: (1) To continue re-affirming comprehen-



sion of the meaning of the 17th August 1945 Independence Proclamation, Pancasila and the 1945 Constitution as the foundation for every step taken by ABRI members; (2) To continue re-affirming ABRI's identity as Indonesia's National Army (TNI), i.e. the identity of a fighter upholding the Sapta Marga (code of ethics called the Sevenfold Way), the Soldier's Oath, and its integration with the Indonesian People; (3) To step up ABRI's role as fighting forces in the life of the state and nation on the basis of the Archipelagic outlook by virtue of ABRI's role as a Defence and Security Force and as a socio-political force; (4) To promote ABRI's role as pioneer in the effort to step up national discipline, national productivity, and to maintain national stability through abidance by all existing norms and regulations, and to create efficiency and simplicity in every activity; (5) To enhance the determination and alertness of ABRI being one of the forces supporting the New Order in the effort to realise national ideals and to overcome the challenges in the present development endeavours.

Out of the five points of the standing orders this essay tries to highlight the fourth point. For it is this fourth point that contains the dynamism and spirit which inspire the attitude and behaviour of each ABRI member as a true Indonesian citizen. This attitude and behaviour constitute the foundation and criterion for ABRI's success in carrying out its dual function as defence and security and as socio-political forces. ABRI needs to regenerate its fighting spirit in compliance with its identity, namely as fighters and pioneers in the efforts to realise the ideals of the nation. ABRI being part of the Indonesian nation should come to the fore as pioneers in the sense of being exemplary in terms of discipline, productivity, efficiency and simplicity.

### **National Discipline**

National discipline constitutes the attitude and behaviour of every member of a nation state to abide by all norms and rules regulating social life so as to attain the common goals of the state concerned. The state being a political organisation with the government as its implementor lays down the rules of law to bring about order in the social life of its citizens. From this point of view one will notice that all the stipulations incorporated in the code of law purport to regulate, direct and at the same time bind the attitude and behaviour of every citizen in its every day life (including the government's and ABRI personnel). This means that sanction will be applied to any citizen who violates the law. Besides, each social group has its own traditional customs which each member of the respective groups has to comply with. It is for the same purpose as well, namely to lead an orderly life together in that social group.

Accordingly one may notice that efforts to step up and intensify national



discipline need to be made by every individual citizen of the Republic of Indonesia. Everyone, either individually or in groups, needs to adapt his/her attitude and behaviour to the stipulations of the rules of law or the local custom and tradition. Discipline is a product of socialisation exemplified by the elders, whose outlook is broader and have more authority. Hence ABRI should come to the fore as exemplary figures who can be noticed from their attitude and behaviour in every day life amongst the society or in their work environment. This exemplary attitude and behaviour will stimulate the society at large to emulate them. This means that each ABRI member should show an attitude and behaviour in accordance with the existing norms and stipulations of the rules of law starting from their family environment, their work and in public places such as on the streets. The disciplinary attitude and behaviour demand from all people to keep away from culpable acts let alone violations of the law.

Indonesia is a state based on law. Hence acts having the character of immunity from law, being not open to critics, abuse of power, should be avoided by the Indonesian people in general and ABRI in particular. The law should apply to every citizen without exception. Aside from that, to do things at leisure, to consider that everything "can be arranged," to take advantage for oneself by means of irregularities, all constitute indisciplinary attitudes and behaviours.

### **Productivity and Work Efficiency**

Productivity is essentially a mental attitude with an outlook in life that regards today to be better than yesterday and tomorrow to be better than today. This kind of attitude demands from one, that one's performance be better than the previous one. Accordingly improvement of productivity will be reflected in three forms, namely: (1) the quantity of the attained production augments while using the same resources; (2) smaller quantity of resources is used while the production quantity increases or remains the same; and (3) the production quantity achieved is much greater than the relatively small augmentation or resources. To step up this productivity, a disciplinary attitude, the spirit of hardworking, and efficiency constitute pre-requisites to be fulfilled.

On the other hand efficiency may be comprehended as a certain method of producing the desired result which is proportionate to the number of workers and/or the amount of capital being used. Hence the characteristics of efficient workers are those: having real and well planned work programmes; with a clear division of labour and time schedule; appreciative of time; imbued with the spirit of working hard, dedicatedly, accurately; capable of using modern equipment and methods of producing goods so that it will result in a bigger amount of income over that of expenses. An efficient person is someone who

is practical and has capabilities, being competent, fully dedicated and responsible.

Therefore, an efficient worker is usually very productive. To that effect the person concerned has to master sufficient knowledge and working skill. Hence formal and non-formal education constitute the means to go through if one is to become efficient and productive. This is the prime constraint of the Indonesian labour force, the number of whom is great but has a low level of education, so that they do not possess the necessary knowledge and skills required by the available employments. Efforts in stepping up the quality of the labour force have to be made by restructuring Indonesia's curriculum and system of education. Schools and their curriculums with the teachers for their implementation through the process of instructing and teaching should be able to prepare and produce prospective workers capable of working efficiently and productively. The schools should be able to inculcate in the pupils a disciplinary attitude, and a working method which is efficacious, creative and productive.

ABRI need to come to the fore as pioneers encouraging scholars to seriously think with them about the interdependence between the schools, producers of educated workers, and the business sector as employers of those workers. This should be the initial step to be taken in labour planning. Besides, ABRI should set examples in order that all government policies adopted in the effort to step up productivity and efficiency will be consistently implemented by all the government agencies concerned. For example, in the effort to curb high cost economy, ABRI should also set examples by working efficiently, productively and in a clean, honest and open manner. To hold many positions by one person only is inefficacious and kills one's productivity.

### **Simplicity**

Simplicity is derived from the word simple, which means being moderate or natural. This is closely related to a pattern of life which is commonplace. Undoubtedly this pattern of life is also closely related to one's income and social status. This higher one's social status is, the higher income one earns and will lead one to a life pattern which will be different from that of the other social groups. This is obviously demonstrated by the life style of a social institution which is hierarchically organised such as ABRI. Hence the standing orders of the Commander in Chief on simplicity of living is primarily addressed to members of ABRI proper. Furthermore it is also directed to all social strata in view of the still prevailing social gaps between the upper, middle and lower classes of society. Each social stratum has its own respective life pattern. An excessive exposure of exclusive life pattern by a certain social group (up-



perclass/rich, middle class) is bound to give rise to social tensions which will in turn bring about social conflicts.

Hence the socialisation of a simple life pattern, in which ABRI will set an example should be supported by all layers of society especially the upper/rich and the middle class. The drive for a simple life pattern has been decided since the early 1970s. However, this drive remains to be an appeal in nature and a lip service as it were. It has not as yet been manifested in reality. If the social gap between the rich and the poor is also exclusively manifested in the pattern of life so as to hamper communication between them, this may entail social envy. Such a situation is certainly undesirable. Hence the simple life pattern has to be carried out by virtue of one's attitude and behaviour in daily life. This calls for a change of mental attitude so as to bring about social solidarity.

In conclusion, the fourth point of the standing orders of the commander in chief on the eve of the 41st anniversary of ABRI needs to be more elaborated conceptually by the parties concerned including the People's Consultative Assembly (MPR) to be elected by the forthcoming 1987 General Election. A disciplinary attitude, esteem for productivity, working efficiently and a simple pattern of living should be Indonesia's way of life now and in the future.<sup>1</sup> It is hoped that the determination of ABRI to pioneer this will be realised. To that effect it demands from ABRI in particular and the state apparatus in general their exemplary acts.

*BABARI*

## **Towards Trade Reform: Slow but Sure?**

The post oil boom period beginning in 1982 has witnessed two contradictory trends. On the one hand deregulations and simplification procedures were undertaken in the financial sector, customs clearance and foreign investment, while on the other hand imports were increasingly restricted by using non-tariff barriers (NTB).<sup>1</sup> The increased restrictions were aimed at limiting imports to save on foreign exchange given falling oil prices, but it was also an integral part of a protection policy to stimulate the growth of upstream industries. The result was a complicated system of import controls through licensing and quotas that regulated and controlled many crucial raw materials and in-

<sup>1</sup>However note the across the board reduction in the range and level of nominal tariffs in March 1985.



intermediate inputs. The restrictions occurred through reducing the number of approved importer licenses (often to state enterprises), increasing the products to be imported through approved importers and fixing the quantity to be imported.

The latter trend seems to be reversing with the introduction of the October 25th, 1986 and January 15th, 1987 packages which removed or relaxed the quantitative controls on the imports of a number of raw materials and intermediate inputs. The trade reform policies came appropriately after the September 12th devaluation. The May 6th package also has a trade reform component since it does free up imports to exporter and it will be useful to look at how it has performed in the first six months of operation.

### Overview of the 6th May Package

The main essence of the May 6th package that relates to trade deregulation is that exporters can be exempted from paying duties, obtain a duty drawback and import "relief" by being able to import inputs companies directly without going through the appointed importer or can bypass the quota depending on which restrictions the import of that input comes under. The definition of an exporter has also been relaxed to at least 85% of the production being exported.

After some initial problems in implementation due to the strict enforcement of the administration procedure with forms being sent back for correction if there is any mistake, the package seems to be doing well in terms of the value of imports that have gone through the system. The value of approved applications for duty exemptions was US\$303.6 million and for duty drawbacks was US\$136.8 million for the July-December 1986 period.<sup>2</sup> It was not reported how much was approved for import "relief," but if the response to the other two forms of import "relief" has been positive, one would expect the response the import "relief" to also be strong. Most of the applicants were producer-exporters of textiles.

The results appear to be encouraging and once exporter-producers are used to the system there will be less at issue regarding the administration procedures. The application procedure is processed with the assistance of computers and contact between the exporter and administrator is minimised by requiring that the application be mailed or delivered by a courier. This type of system could work efficiently and the head of the P4BM, Hutabarat has claimed that the application can be complemented within one to three days provided that there are no mistakes in the application.

<sup>2</sup>*Jakarta Post*, 15 January 1987 reporting on Hutabarat's comments (the head of the P4BM - the Centre for the Administration of Import Duty Exemption and Drawbacks).

### The October 25th Package<sup>3</sup>

The move away from NTB towards the use of tariffs is evident in the relaxation of the imports of 321 items that previously were imported under the approved importer licensing system, mostly in the manufacturing sector and the changes in tariffs of 306 product groups. Out of the 321 items, 166 items are reclassified into the general importer category and 60 to importer producer<sup>4</sup> license category both of which are the least restrictive types of import licensing. The rest remain in the restrictive categories of licensed agents (*agen tunggal*), producer importer<sup>5</sup> and approved trader (*importir terdaftar*). The main subsectors deregulated were chemicals; paint varnish and dyes; tires and tubes, paper and printing, glass and glass products; the machinery and electrical equipment; and minerals sectors. Although not many items were deregulated in the textiles sector, two main inputs, polyester and rayon fibres were placed under the general importer category.

The second part of the package deals with changing the import duty on around 306 items. Part of the changes were increases to offset any fall in protection from the relaxation of NTB, while tariff reductions were on goods that were not produced domestically.

Most estimates place the value of imports to be affected by the relaxation of the restricted import licensing system to the general importer category for the above mentioned goods, to be around US\$300 million based on 1985 imports.

### January 15th Package

Tariffs were reduced or import procedures relaxed on 300 items covering textiles, steel, machinery and electrical machinery and motor vehicles. Out of the 300 items, 103 items had import controls removed and replaced by tariffs. That is, general importers can now import the items. Table 1 shows that 92 items were from the textiles sector while 11 were from the steel sector. Imports of cotton being the most significant item to be deregulated since it accounts for over US\$200 million of imports based on 1984 and 1985 values and accounts for most of the imports still regulated before the January 15th package. Imports of cotton are still tied to the purchase of local cotton, but no longer at the fixed 1:10 ratio. The amount is now to be determined by the Department of Trade, and if the local producer has no stock available, it is still possible to

<sup>3</sup>The other important component of this package is the removal of the ceiling on swap facilities and the setting of the premium at 8 per cent by Bank Indonesia to reflect the existing interest differential.

<sup>4</sup>Producers who use the imported inputs may import the inputs themselves.

<sup>5</sup>That is only the producer of the good who can import that good.



import and realise the local purchase at a later date.<sup>6</sup>

Relaxation of the approved traders system was applied to 142 items which can now be imported by general importers or importer producers instead of approved importers. The majority of the items are once again in the textiles sector (135 items) and the remainder (7) from the steel sector. Out of the 7 in the steel sector, 5 are imported by approved traders or importer producers and 2 are imported by importer producers only.

Table 1  
EFFECTS OF THE 15TH JANUARY PACKAGE (SK MENDAG 09/KP/1/87)  
(US\$1.000)

	Textiles			Steel		
	CCCN	Realised 1984	Imports 1985	CCCN	Realised 1984	Imports 1985
A. Before 15th January 1987	478 (100%)	283.731 (100%)	255.857 (100%)	100 (100%)	418.863 (100%)	253.904 (100%)
B. 15th January Package (SK Mendag 09/Kp/1/87):						
1. Regulated	255 (53,35%)	13 (0%)	15.276 (5,97%)	82 (82%)	344.303 (82,20%)	199.147 (78,43%)
2. Relaxation/Removal of Restrictions:	223 (46,65%)	283.718 (100%)	240.583 (94,03%)	18 (18%)	74.560 (17,80%)	54.757 (21,57%)
a. Relaxation	131	31.720	34.846	7	10.959	2.293
B. Removal	92	251.998	205.737	11	63.601	52.464

Source: *Business News* 4461/28-1-1987.

The other sector affected is the machinery, electrical machinery and motor vehicle sector. 55 items had their tariffs reduced or removed, out of which 12 became zero. The significant development in this sector is the removal of licenses to produce similar products which is aimed at absorbing excess capacity and tap the innovativeness of producers to diversify their product lines.

The two packages must be seen as a step in the right direction. Their impact cannot be measured just by looking at the number of items affected or the amount of imports involved. A more important test is the implementation of the policy with regard to the items that are still potentially “controllable,” namely, items that are still subject to approved traders or producer importer status. How many licenses will be issued? Will quotas still be used?

<sup>6</sup>Essentially the importer has to show that either he or she has a purchase contract from the local cotton producer or a statement that the local producer cannot supply the cotton at the present time (Decision of the Minister of Trade No. 18/KP/I/87, 23rd January, 1987).



Many observers have pointed out that the packages can only be interpreted as token measures as long as the crucial items in the steel and plastics sector are still regulated, the agriculture imports are still highly restrictive and production of many items are still regulated by the government. There are also the other familiar "high cost economy" factors that are affecting the operating environment of firms. However, the reforms should be interpreted as the first few steps of a long term restructuring process that will take time to implement and even longer to realise. The dismantling of the present deregulatory system is not a simple task and involves more than just pure economic considerations, but it appears that the momentum is there.

Given these caveats, the slow and hopefully sure movement towards trade reform is expected to continue much in the same fashion -- sector by sector and gradually. The present restrictive balance of payments and budgetary situation intensifies the need to promote non-oil exports and increase the participation of the private sector. The price signals from devaluation are already correct, all that is needed is to improve the operating environment and traded reform will be a crucial component.

*Mari PANGESTU*

## **Treaty of Friendship between Indonesia and Papua New Guinea**

Indonesia and Papua New Guinea opened diplomatic relations as soon as the latter gained independence in 1975. Since then the delegations from both countries have often found themselves in the same regional grouping or sub-grouping at international meetings. However, the relationship between the two countries has not always run smoothly. The border problems, including eases of border crossing, are among those responsible for the strains. These problems seem to be related to frequent cultural, historical and geopolitical differences as well as differences in perception.

Papua New Guinea has a Melanesian or Papuanese culture, on which the PNG state and nationhood are based. Understandably there is fear on the part of Papua New Guinea that Indonesia's transmigration programme involving the transfer of many Javanese pose a threat to Papua New Guinea's Melanesian culture. Moreover, such a feeling has been aggravated by a lack of

understanding of Indonesia's policy and attitude toward Melanesian culture as if Indonesia was against it and was making efforts to get rid of it. One of the issues that have been exploited by those in Papua New Guinea who are anti-Indonesia is that transmigration from Java would mean the occupation of Papua New Guinea's territory and conquest of the local population.

Indeed, Indonesia's culture is multifarious, including Melanesian elements which exist not only in Irian Jaya but also in the Moluccas and East Nusa Tenggara. Those cultural elements have enriched the Indonesian culture and thus constitute the Indonesian nation. The Indonesian nation however, did not spring from the identity of the Indonesia culture. It is the other way round. The concept of Indonesia's nationhood itself is a comparatively new one, beginning with the youth pledge of 28th October 1928, when the youth leaders of the Indonesian nationalist movement for independence made a formal pledge to have one fatherland, one nation, and one national language. Thus, unlike Papua New Guinea's concept of nationhood which is founded on the Melanesian culture, the concept of Indonesian nationhood is a political, not a cultural one. The differences in the appreciation of each nation's culture have proved to be an obstacle to good and friendly relations between Indonesia and Papua New Guinea.

The different course of history had determined that Indonesia became a colony of the Dutch, who in the framework of neo-colonialism still attempted to retain Irian Jaya as their colonial territory. In the mid 1950s there was an idea on the side of both the Dutch and Australian government, through a referendum, to unify the two parts of the island of Irian by forming an independent state. This promise has created an obsession among some of the Papua New Guinean and Australian leaders to further promote a solidarity of the Melanesian culture for the whole of the island of Irian. However, Indonesia managed to recover Irian Jaya through diplomatic pressure in 1963. This sovereignty of the Republic of Indonesia was sanctioned by an act of free choice by the people of Irian Jaya under the auspices of the United Nations in 1969.

Papua New Guinea, on the other hand, has a different history. It has got its independence only in 1974 after some preparation. Due to this historical relationship Papua New Guinea constantly receives abundant aid from Australia. Papua New Guinea constitutes the largest recipient country of Australian aid and employs many Australian experts as advisers and managers in diverse fields.

Thus, it can be said that to some extent a nation's history and tradition, for example, shape its pattern of attitude and behaviour. And a lack of understanding of differences in such determinant factors of national attitude



and behaviour between states results in strained relations between the states concerned.

Indonesia is a medium if not potentially a big power. Papua New Guinea is a small country sharing a territorial border with one of Indonesia's islands, Irian Jaya. Understandably, Indonesia has paid greater attention to the north of Southeast Asia which is a possible source of threat to its security as well as that of the region. It seems difficult to place Papua New Guinea in the precise order of priorities of Indonesia's foreign policy. By contrast, for Papua New Guinea, Indonesia (and Australia) are considered as the most important neighbours. These factors combined with a lack of knowledge and understanding of each other seem to be the underlying factors behind the kinds of problems that have arisen between the two countries.

It is against such a background that the significance of the Treaty of Friendship between Indonesia and Papua New Guinea signed at Port Moresby on October 27, 1986 by the foreign minister of the two countries Mochtar Kusumaatmadja and Legu Vagi is to be assessed. This is important in the long-term management of the border zone, and for Indonesia-Papua New Guinea relations. The treaty, which has been the result of months of negotiations and consultations will serve as a foundation for all bilateral activities in the future. The treaty obliges both countries to refrain from threat or the use of force against each other. It provides for consultations and negotiations in the event of disputes between the two neighbours. There is also recognition of respective national interests along the common border.

The signing of the treaty reflects not only a healthy attitude of Indonesia and Papua New Guinea in dealing with all sorts of existing bilateral problems, but also a realistic approach to the common future of Indonesia and Papua New Guinea as neighbours. The treaty provides the conceptional framework in which to foster relations in an effective, responsible, and mutually beneficial manner.

On the occasion of the signing of the treaty, the Foreign Minister of Papua New Guinea, Legu Vagi, stated that the treaty serves as a formal and legal backing to the highest international principle of respect for sovereignty and territorial integrity. He also stressed that the treaty is not a border agreement. The Papua New Guinean policy-makers do not wish relations with Indonesia to be simply focused on the border problems. They have sought to place such problems in a framework of wider common interests to be promoted through constructive, neighbourly co-operation. His counterpart, Mochtar Kusumaatmadja, said that the treaty is a basis on which to foster cooperation between Indonesia and Papua New Guinea. His statement makes it clear that Indonesia wishes to maintain its policy of good-neighbourliness.



It is generally recognised in Indonesia that there is still suspicion on Papua New Guinea of Indonesia's military strength and its alleged drive toward expansionism. But the conclusion of the treaty is indeed a firm indication that Port Moresby has accepted the good intentions of Indonesia to foster co-operative relations. The treaty is an indication of both countries' determination to work hard toward a common future and a display of respect for each other's independence, integrity and sovereignty.

Much more need to be done to promote a good, friendly and closer relations between Indonesia and Papua New Guinea. Closer and more intensive co-operation will help to promote better understanding and at the same time help to enhance the maturity of the relationship. The higher degree of maturity of relationship would in turn increase the ability of Indonesia and Papua New Guinea to ride out any possible recurrence of tension and misunderstanding, for the two countries would each have a greater stake in the continuation and improvement than in the strain and deterioration of their relations and co-operation.

*Bantarto BANDORO*

# Indonesia-Singapore Relations: What to be Done

Hasjim DJALAL

It has been more than a decade ago since I spent four fruitful years at the Indonesian Embassy in Singapore (1972-1976). My knowledge on Singapore was therefore perhaps out-dated. I could easily assume that there had been a lot of things taking place thereafter which I had not been able to follow closely. It is on this basis that I venture to submit a few contribution on the relations between Indonesia and Singapore and what could be done to promote the relations.

When I came to Singapore in 1972 the relations between the two countries were very sour if not sore. I still felt the aftermath of confrontation despite the fact that ASEAN was already established in 1967 immediately after the termination of the confrontation policy. The Indonesians were still irked by the fact that after all efforts to commute sentences, two Indonesian marines were sentenced to death and executed by Singapore in 1969. Five years after the establishment of ASEAN, President Soeharto and Prime Minister Lee Kuan Yew had not yet even visited each other.

In addition to this psychological trauma the relations were also made difficult by substantive differences which existed between the two countries.

Indonesia and Malaysia had claimed and agreed that the straits of Malacca and Singapore with a width of less than 24 nautical miles as part of their territorial seas. This was not readily recognised by Singapore. Efforts by Indonesia to determine the boundary in the Strait of Singapore were resisted for a long time by Singapore for fear that the agreement of the delimitation of the territorial sea in the Strait of Singapore would be prejudicial to international

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navigation which Singapore claimed to be the lifeblood of its economy. Fortunately Indonesia and Malaysia's decision to treat the problem of the Strait of Malacca and the Strait of Singapore as a single problem of safety of navigation and marine protection have lessened somewhat Singapore's fear which enabled them to participate in the effort to promote safety of navigation in the straits of Malacca and Singapore. After about 10 years of endeavouring, the tripartite arrangement on the safety of navigation have eventually achieved substantial success.

Economically there were also a lot of difficulties. Indonesia considered Singapore as a haven for Indonesian smugglers. The fact that Singapore refused to publish the data of its statistics on its trade with Indonesia had augmented suspicion which did not help the efforts to promote relations.

On the political field, however, there were closer co-operation because of the similar perceptions which Indonesia and Singapore had with regard to the dangers posed to Southeast Asia and the role of China in the region. Indonesia was somehow assured by Singapore's determination not to have diplomatic relations with China before the thaw of the relations between Indonesia and China. In addition there was certainly a common perception with regard to the need to develop regional co-operation and cohesiveness within the context of ASEAN.

The relations dramatically changed toward the end of 1972. After serious efforts, Singapore finally agreed to delineate the territorial sea boundaries in the Strait of Singapore. Singapore also showed understanding, as a good neighbour, with regard to the "rice crisis" in Indonesia at the end of 1972. Singapore as noted above, has also played a constructive role, although originally difficult, in the efforts to promote safety of navigation in the straits of Malacca and Singapore. Singapore made serious efforts to overcome the problem of trade statistics. At the same time Indonesia's policy to promote good neighbourly relations as a corner stone for the development of regional co-operation within the context of ASEAN, had also modified some of its prejudices with regard to Singapore. It was able to see Singapore as no longer a mere extension of China, but as a new nation struggling very hard to establish its own identity as an independent state in Southeast Asia, eager to promote good relations and co-operation, with its neighbours especially in the field of trade. The milestone of the turning point in the relations between Indonesia and Singapore came in May 1973 when President Soeharto paid a visit to Singapore. Since then relations between the two leaders had been cordial and full of mutual understanding.

Since 1973 the relations have developed substantially and the two countries have been working hand in hand in promoting ASEAN co-operation and stability as well in Southeast Asia.



In fact there are enough reasons to further develop relations between the two countries in the future.

Ideologically, there are many similarities. Although not quite similar, they are nevertheless not antagonistic. Indonesia's Pancasila (Believe in God, Humanity, National Unity, Democracy and Social Justice) and the five principles of Singapore's "Rugged Society" (Democracy, Peace, Progress, Justice and Equality) could live side by side. Both countries are non-communist, having a democratic system of government, although there are differences in their details. What need to be done in this respect is to see to it that the two countries strive to preserve and protect their respective national ideology to enable them to live in peace as good neighbours. A change of national ideology in either of the two countries may upset the present harmony.

Politically, Indonesia and Singapore do have different systems of government but both are committed to democracy. Indonesia has a presidential system with the MPR (Peoples Consultative Assembly) deciding the main guide lines of the state policy every five years and then elects a President and a Vice-President to carry them out. The President worked together with the House of Representatives in enacting laws and determining the budget but he is only responsible to the People's Consultative Assembly. The present government, enjoying strong support from Golkar and the Armed Forces, assures stability and political continuity. On the other hand, Singapore has a parliamentary system in which the Prime Minister is elected and responsible to parliament. The present government in Singapore, having an absolute majority support from the PAP (People Action Party), also assured political stability and continuity. It is easy to note that in the future good relations between the two countries would be augmented and promoted by close contacts, not only between the leaders of the two countries but perhaps, equally important, between the important political forces in the respective countries, especially between Golkar and PAP as well as between the Indonesian Armed Forces and those of Singapore, although the Armed Forces in Singapore do not basically play a major political role. Political contacts should also be expanded to the young generation as well as to the public opinion moulders including the media, the academics as well as the parliamentarians. It should be remembered that the two countries are undergoing generation transformation. The two countries should strive to see to it that whatever generation transformation is taking place it should not upset the existing harmony, but should strengthen it.

Economically, Indonesia and Singapore are different. Indonesia is a very large and very populous country having enormous natural resources but enormous problems as well. It is basically still agricultural, striving to develop intermediate industries and mining. Singapore, on the other hand, is a very small city-state having a strong tradition of trade and services and has achieved

substantial industrial development with global orientation, attempting to become the financial and technological centre in Southeast Asia. It is easy to notice that the economic outlook of the two countries are different and therefore co-operation could be difficult. There is a tendency of protectionism in Indonesia while Singapore is seeking a much more freer trading system.

Although there are great differences in economic outlook, there are enough opportunities however, for economic co-operation between the two countries. It should be possible to complement the Indonesian rich natural resources and the enormous manpower capabilities with Singapore's capital, technology and their marketing ability as well. The economists of the two countries should work together to find out areas of co-operation, such as in the field of investment without upsetting the basic fabrics and structure of each country.

In the social-cultural field the possibility for co-operation also exists. Indonesia is a country of a diverse socio-cultural background and has therefore basically a very strong tradition of tolerance. Singapore is equally a multi-racial society and in order to survive has also to develop a good deal of tolerance. This exceedingly important element in their respective cultures could form a basis for building-up fruitful relations. It should be pointed out, however, that there is a major problem in that, if not handled carefully, could become a sour point in the relations between the two countries. It is a well-known fact that the largest majority of Singaporeans are of Chinese descent and that a very small Chinese minority in Indonesia play a very substantial role in Indonesia's economy. On the other hand, I believe there are still some circles in Singapore -- realising the presence of its "giant" neighbour -- are afraid of Indonesia's domination. These are sensitive issues and could become a difficult point in their relations. The two countries therefore must be very careful not to arouse any racial or group sentiment, or any other act that may spark the fire of troubles. This is an extremely important point to be carefully taken into account.

With regard to the security aspect of the relations there are a lot of things that could be done. The security problem of Indonesia, especially the subversive aspect of it, is closely interlinked with Singapore. It is assumed that Singapore, being a communication centre in Southeast Asia, is susceptible for being used possibly as a springboard by unwelcome elements. In this context, it is essential that security and intelligence co-operation between the two countries be properly maintained as has already been the case. On defence matters, the strong air force of Singapore could be complementary to the defence forces of Indonesia. In fact, being a very small island-city-state situated between Indonesia and Malaysia, Singapore seems to be indefensible from Singapore itself but its defence has to be made in co-operation with its neighbours. On the other hand, Indonesia, being a very large country, would be in a position to absorb and blunt any open attack to its territory on the basis



of its territorial and HANKAM RATA (people's defence and security) Doctrine. Singapore's Air Force could act as an additional bulwark against possible foreign attacks from the North.

It is assumed, however, that Indonesia is not and will not pose any security problem to Singapore as Singapore's Air Force is not considered a security problem to Indonesia. In this context it would be worthwhile if the Armed Forces of the two countries could find ways and means to enhance a complimentary security role and eliminate any potential security problem or suspicion between them. In fact Indonesia has already provided possibilities in the past for Singapore's Air Force to conduct some military training exercises over its territory.

It is impossible to talk about the relations between Indonesia and Singapore without mentioning the role of ASEAN. In fact ASEAN has contributed a great deal toward the strengthening of their relations through their participation in ASEAN; the two countries had been able to minimise their differences and establish a strong basis for regional co-operation. Both countries now realise that the stability or instability in either one of them will affect the stability or instability of the other, and consequently the stability or instability in the ASEAN region as a whole. Both countries have also realised that stability is essential for economic development and growth. It is in this context also that both countries would like to see ASEAN grow successfully.

There may be a difference in perception between Indonesia and Singapore as to the present level of co-operation within ASEAN. Singapore may like to see ASEAN develop much more rapidly, particularly in the economic field and in trade, while Indonesia compared to Singapore may seem to be a little more cautious. This difference in perception, if it really exists, may be the result of the difference in the stages of economic development among ASEAN states as well as due to various other factors existing in the respective ASEAN countries. ASEAN officials should discuss this matter thoroughly and analyse as to whether the present stage of ASEAN co-operation is satisfactory and if not, whether anything else could or should be done to make it more satisfactory.

To conclude, the relations between Indonesia and Singapore at present are good. The two countries should do everything in their power to maintain these good relations, and if possible to expand them. Consultations and mutual exchange of visits should be expanded to straighten out any problem that exists or may develop between the two countries. More contacts between the relevant political forces, the younger generations, the academics and the media, would be useful. My four years of experience in Singapore taught me that honest analysis of the existing and potential problems and their frank discussions, although not necessarily public ones, would be better than sweeping them under the rug.



# **Indonesia-Singapore Relations: Looking towards the 1990s**

**Barry DESKER**

Indonesia recognised Singapore in June 1966, some eight months after the abortive PKI (Communist Party of Indonesia) coup attempt of 1st October 1965 which had led to a change of government in Indonesia. However, Confrontation from 1963-1965 left a residue of problems and a legacy of mutual suspicions arising from political and economic differences. A conjunction of a Singapore intent on asserting its independence and an Indonesia, pre-occupied with the possible emergence of Singapore as a Third China and the ties between pro-PKI elements in Indonesia and left-wing Chinese in Singapore, made for an uneasy relationship. How far we have come since then is to a large extent a reflection of the success of ASEAN. ASEAN has helped to create mutual confidence. The frequent contacts of political leaders and officials at ASEAN meetings has promoted the habit of co-operation.

As part of ASEAN, Indonesia and Singapore worked together to forge an ASEAN consensus on how to deal with the changing regional political and security environment. All of us in ASEAN learnt how to accept one another's separate identities and, consequently, different ways of managing problems. There was also a growing awareness that prosperity and stability in any ASEAN country cannot be insulated from developments in the other ASEAN countries. The Vietnamese invasion and occupation of Cambodia was a test of ASEAN's capacity to forge a regional identity. Although there are differences of nuance, all ASEAN countries agree that the fundamental principles of non-violation of territory and the maintenance of national independence and sovereignty should be upheld. Through its dialogue with the major developed countries, ASEAN has also facilitated co-ordinated action by its member countries in dealing with major political and economic issues. Within ASEAN,

Indonesia and Singapore have worked together so that both parties have enjoyed the benefits of ASEAN. For example, Singapore supported Indonesia's successful efforts to obtain GSP benefits from the United States while Indonesia supported Singapore in opposing Australia's protectionist civil aviation policy.

Today, Singapore's bilateral ties with Indonesia are excellent. The warmth in bilateral relations is largely due to the close personal rapport which exists between President Soeharto and Prime Minister Lee Kuan Yew. These ties have developed since Prime Minister Lee Kuan Yew made his first visit as Prime Minister of an independent Singapore to Indonesia in August 1973. (He had first visited Indonesia as leader of a Singapore mission in 1960.) President Soeharto paid a return visit to Singapore in September 1974. The early visits were formal. They were official visits with the panoply which accompanies such visits - black tie dinners, formal line-ups of the diplomatic corps, joint communiques. Even then, as Lee Kuan Yew noted in a press conference on 27th May 1973, during his first visit to Jakarta, there was already confidence that the two countries could co-operate on projects aimed at encouraging their development. He said, "I think the most important factor is the ability to reach to each other's inner thoughts as far as possible in a completely free exchange of views." As Lee Kuan Yew noted then, the visit was "a turning point."

Informal contacts increased in the years after 1973. There were almost annual exchanges of visits between President Soeharto and Prime Minister Lee Kuan Yew. The last visit was by Lee Kuan Yew to Indonesia in April 1985. Today these exchanges have a personal warmth and mutual respect which have helped to enhance our bilateral relations.

In a speech to the National Press Club of Australia on 16th April 1986, Lee Kuan Yew succinctly described the impact on the region of President Soeharto's leadership of Indonesia:

In retrospect, no event has had a more profound influence on the development of the region than the character and outlook of President Soeharto of Indonesia. Indonesia's concentration, during the past twenty years, on economic development and social upliftment, would not have been, had he not succeeded Soekarno. His policies made it possible for ASEAN to become an organisation for constructive and co-operative relationships between members, and for the solidarity of its members in meeting external problems. If in the 1990s, a man of a similar cut, equally devoted to the development and social advancement of Indonesia, succeeds President Soeharto, ASEAN's progress will be assured for the years beyond the year 2000. The more he institutionalises Indonesia's state ideology of "Pancasila," the more likely is his successor to be a man with his bent for the politics of stability, resilience and growth for Indonesia and the region.

Lee's remarks reflect his respect for Soeharto's qualities. It also demonstrates the understanding and close bonds of friendship which have developed between the two leaders since 1974. There is mutual respect for the



strong leadership which each had shown. Both have displayed a willingness to take tough decisions if it was in the interests of their countries. Both have fostered outward-looking policies which led to rapid economic growth over the past two decades.

The personal rapport between President Soeharto and Prime Minister Lee Kuan Yew is an asset for both countries. Our task should be to aim at creating a broader base for bilateral co-operation. We should look at how we can build on the friendship between the two leaders. We should examine ways and means of increasing contacts between influential decision-makers in both countries. Political leaders and civil servants of Indonesia and Singapore should be encouraged to exchange visits more frequently. It would strengthen personal ties and permit useful exchanges of views. So far, our Ministers and officials have met mainly at meetings and conferences. They are committed to defending their national positions at such conferences. It would be more beneficial if informal visits took place. Global, regional and bilateral issues can be discussed. As mutual confidence develops, even domestic issues in each country can be discussed, as we have done in this seminar. Similarly, opinion-moulders such as academics and journalists should be encouraged to meet and exchange ideas.

Our objective should not be to negotiate or to meet with set agendas. The opportunity should be used to establish easy, informal relationships between Singapore and Indonesian leaders and officials. This will foster a better understanding of each other's sensitivities and interests. It is essential that increased contacts occur between the successor generation of political leaders. Younger civil servants and military officials should also develop such ties. These inter-locking relationships will establish a network which will buttress the close ties of President Soeharto and Prime Minister Lee Kuan Yew. The process has already begun. For example, this month, Mr. Goh Chok Tong, the First Deputy Prime Minister visited Indonesia. The exchanges which have taken place over the past decade have created friendly ties between diverse groups of political leaders, military officers and civil servants. We will have to increase such efforts in the decade ahead as the generation of leaders who obtained independence is succeeded by a new generation of political leaders.

This seminar, for example, provides an opportunity for informal discussions between a diverse group of politicians, officials, the military, academics, businessmen and journalists from Indonesia and Singapore. We can go beyond platitudes, to test ideas and to build friendships. I am of the view that such exchanges should become more frequent in the years ahead. There will be differences of perception, there will be differences of attitudes and there will be differences of emphasis. However, the important aspect is that there will also be a growing understanding of what each country stands for and what makes it tick. This will reduce the suspicions and prevent the re-emergence of



psychological barriers between Indonesia and Singapore.

As far as Singapore is concerned, increased contact with Indonesia after 1973 led to a reassessment of Indonesia. Soekarno's Indonesia was perceived as hostile and expansionist. We in Singapore recognise that Soeharto's Indonesia is committed to regional and national stability, rapid economic growth and social justice for its people. There is considerable admiration for the decision to establish a minority language as the national language -- Bahasa Indonesia -- as it helped in creating a nation state out of the varied cultures and ethnic groups of Indonesia's society. Singapore also welcomes Indonesia's commitment to Pancasila. Now we are aware that Indonesia is a multi-religious society, even though the majority of its population is Muslim. This enhances Singapore's understanding for Indonesian aspirations. For, like Indonesia, Singapore is creating a multi-ethnic, multi-cultural and multi-lingual society even though it has a Chinese ethnic majority. Like Indonesians, Singaporeans believe that if such a society is to succeed, tolerance and respect for other beliefs and values are essential.

We have therefore established that a basis for mutual co-operation exists. Our leaders have developed the capacity to discuss each other's countries without restraints or inhibitions. I shall therefore take advantage of the precedent they have established to discuss various aspects of our bilateral relationship.

Turning to our economic relationship, I believe that this has been the primary area of conflict and misunderstanding, while it has also been the area of greatest opportunity. For Indonesians, Singapore is often seen as an exploitative middleman, increasing the cost of Indonesian exports and benefiting from the hard work of Indonesians. In reality, the use of Singapore as a re-export centre has been declining as Indonesia increases its direct trade. It is also a fact that direct trade is often more costly. For example, direct export to the Middle East is more expensive than shipping through Singapore because of the high freight rates as well as the lack of frequent ship services, which increases warehousing and inventory costs. Shipping costs are also higher because cargo is only available one-way and not in both directions. The shipping company passes the cost of two-way transport to the exporter, who pays higher prices.

We have to be alert to the possibility of misperception. Why does trade with and through Singapore occur? It is because we are a centre providing services. Instead of exploitation, the relationship is really a complementary one in which Singapore's facilities offer the producer the ability to place himself in the most advantageous position in competitive markets. The returns on his investment are greater than if he tried to do everything himself.

We will need to enhance mutual understanding. A broader perspective on one another's interests will be necessary if we are to overcome the challenges in the immediate years ahead. Economic conflict may increase. Both countries are in the midst of economic recessions. Economic growth will not occur in either country for the next two years. The growing trend towards protectionism in the developed countries could lead to a backlash in the developing countries. As international trade declines and the economic recession deepens in the region, conflict over economic issues is likely to increase. So it may be in the Singapore/Indonesia economic relationship. This could range from the revival of allegations of smuggling to and from Singapore, the exclusion of Singapore's entrepreneurs from business opportunities in Indonesia and the adverse consequences of Indonesian direct trade and restrictive import policies on Singapore.

These are not misplaced concerns. Recession in both countries has already led to a decline in trade. According to the Indonesian Central Bureau of Statistics, in 1984, there was a 41% decline in the two-way trade between Singapore and Indonesia. This was the first decline recorded since 1964, reflecting decreases in both imports and exports. In 1985, a further 37% decline occurred. Total trade amounted to US\$ 2,454 million. Indonesia now ranks 4th amongst Singapore's trading partners.

Significantly, in 1984 Singapore incurred a trade deficit of US\$ 334 million in its trade with Indonesia. This was a direct result of the 48% decline in Singapore's exports to Indonesia in 1984 in contrast to the 23% expansion recorded in 1983. This pattern has continued over the past 18 months. As Singapore's exports to Indonesia fell faster than Singapore's imports from Indonesia, Singapore's trade deficit widened to US\$ 797 million in 1985.

However, Singapore is Indonesia's leading market in the ASEAN region, accounting for 9% of Indonesia's total exports. Singapore's imports from Indonesia declined by 24% in 1985 to US\$ 1,626 million. Recession in Singapore has therefore had an adverse impact on Indonesia's export performance.

On the other hand, the contraction of the Indonesian economy, because of falling oil and energy prices, will have adverse effects on Singapore. The reduction in foreign exchange earnings and the growing deficit in the current account of the balance of payments, as well as Indonesia's rising debt service ratio, will induce the Indonesian Government to adopt more austere policies aimed at curbing spending on imports of goods and services. It is also likely that the trend towards a decline in Singapore's entrepot trade will continue as direct trade increases. These measures will adversely affect the transport and communications sector, especially marine transport, in Singapore which is closely linked with the trade sector and is highly dependent on the region.



Nevertheless, my assessment is that these austerity measures will have a longer term impact of ensuring a viable Indonesian economy. Singapore will benefit from having a neighbour which is capable of meeting its international obligations and which will be ready to resume the quest for economic growth once the current recession in oil and commodity prices is overcome. It will therefore be useful if this seminar could give some consideration to the measures which could be taken to improve Singapore/Indonesia economic relations.

One possible area for co-operation between Singapore and Indonesia lies in the field of investment. Since 1967, Indonesia has received capital inflows from Singapore. According to the Singapore International Chamber of Commerce (and based on Indonesian data), in terms of value, Singapore's cumulative investment in Indonesia from 1967-1985 amounted to US\$ 208 million. This made Singapore Indonesia's 10th largest foreign investor. Singapore's investment in Indonesia involves 27 projects. These include chemicals, timber, hotels, construction, civil engineering, soft drinks and agriculture. I should add that, if we take into account that a significant number of Singapore investments were made out of Hong Kong for tax reasons, Singapore investment in Indonesia is probably higher than indicated.

The recent measures introduced by Indonesia to increase non-oil exports and to attract foreign investments to Indonesia would be attractive to Singapore investors. We are encouraging Singapore companies to invest abroad, especially in regional markets. However, there is growing competition within and outside the region for capital investments. The Indonesian authorities should canvass actively for such investments as well as create an investment climate which will be attractive for foreign investments outside the traditional resource extraction sector. Recent moves such as the 6th May package will make Indonesia more attractive to Singapore investors. Such investments will have to be done by the private sector which will weigh the cost and benefits of investing in Indonesia against the cost and benefits of locating plants and factories in Malaysia, Thailand or elsewhere. Close ties between the two Governments can create a climate of confidence but it has to be accompanied by the establishment of policies and a business environment which promote commensurate profits for the risks involved.

In order to create this climate of confidence, the early conclusion of a Double Taxation Avoidance Agreement would be beneficial to both parties. Such confidence could also be boosted by the signing of an investment guarantee agreement which would help to reassure investors that their investments would be protected against the possibility of seizure or expropriation.

Secondly, more can be done to promote trade between Singapore and Indonesia. The Singapore Trade Development Board has recently opened an of-



fice in Indonesia headed by a senior officer. The Trade Office which is located within the Singapore Embassy in Jakarta can be used to monitor business trends and opportunities, facilitate Singapore's participation in trade fairs in Indonesia and assist Singapore investors desiring to invest in Indonesia. On its part, Indonesia should actively explore the Singapore market. Trade shows could be organised and more trade delegations promoting Indonesia's non-oil manufactured exports should be sent to Singapore.

Thirdly, Singapore can play a beneficial role as a centre for the export of services. As President Soeharto noted in December 1983, just before his visit to Singapore, Indonesia welcomes Singapore's development into a financial centre. Such development would be consistent with economic co-operation between Singapore and Indonesia. There is also considerable scope for developing the range of human capital-intensive service exports. The Singapore International Chamber of Commerce and Industry believes that there is considerable potential for the export of hotel management, construction, engineering and technical skills and entrepreneurial skills. Compared to American or European expertise, Singapore services would be cheaper as well as likely to adapt more easily to Indonesian society.

Fourthly, Indonesia and Singapore should look at areas where joint efforts will benefit both parties. Tourism is one such area. Both countries will have to look beyond the region for growth opportunities in the tourism sector. In order to encourage visits and stopovers in Singapore, the Singapore Tourist Promotion Board has promoted the region as a whole in its advertising campaigns in Australia, North America and Europe. Visitors to Singapore are encouraged to visit other parts of the region. In fact, I have noticed that there is specific mention in STPB's promotional materials of the attractions of Indonesia such as Bali and Borobudur. The tourism authorities of Indonesia and Singapore have made an encouraging start by establishing a joint task force in the area of conventions. They can also assist in increasing public understanding of our respective societies by facilitating the freer movement of visitors and tourists between Indonesia and Singapore.

Turning to the area of cultural exchanges, there is a need for increased contacts between Indonesia and Singapore in the field of arts and cultures. Singaporeans can benefit from a greater exposure to the varied cultures of Indonesia. This can be done through more visits by Indonesian cultural groups to Singapore. We in Singapore can learn from the innovation and dynamism which characterises Indonesian art and dance forms. I have been impressed by the new interpretations to traditional Malay dances which Indonesian choreographers have brought to Singapore.

ASEAN has been the medium through which Singapore/Indonesia cultural exchanges have often taken place. We should look at ways and means of in-

creasing exposure to the popular cultures. Singapore television screens Indonesian films periodically. Several Singapore productions have featured on Indonesian television. More can be done to encourage swap arrangements between the television media.

Contacts between our universities and school systems could also be encouraged. Singapore offers ASEAN scholarships to university students in all the other ASEAN countries except Indonesia. Perhaps the time has come for Indonesia to take advantage of these opportunities so that a greater ASEAN consciousness can be developed.

Greater interaction between our students, especially at the tertiary level, would be welcomed. It is a pity that the Association of Southeast Asian University Students (ASEAUS) which first brought me into contact with some of my Indonesian friends around this table passed away quietly some years after. There is scope for the revival of such an organisation.

In the field of defence, a positive relationship has been developed. There have been a series of important visits at the ministerial and military leadership levels. This has contributed to greater understanding and increased rapport. Bilateral naval and air exercises involving the two navies and two air forces have been taking place annually in recent years. These exercises should be continued. Bilateral student exchanges and visits of our respective defence colleges have taken place. Singapore has welcomed such exchanges and hopes that they will lead to increased co-operation between the two armed forces. Such joint military exercises will also help to familiarise young officers from the two countries with the process of working together. As far as Singapore is concerned, there is merit in enhanced military co-operation among the ASEAN countries in order to meet any threats to the security of the region.

There has been a conscious effort in both countries to avoid sensationalising differences of views or policies. We have opted to resolve problems through consultations and discussions. We have aimed at seeking a consensus which reflects the interests of both parties.

The objective of these efforts to increase bilateral contacts and to promote a greater understanding is to ensure that Singapore-Indonesian relations in the 1990s will continue to be as smooth and problem free as they are at present. It is necessary to go beyond the close personal friendship and mutual respect which characterises the relationship of President Soeharto and Prime Minister Lee Kuan Yew to the building of mutual confidence in the successor generations. It is essential that the network of interlocking relationships becomes stronger so that our shared interests are greater than the differences in our attitudes or perceptions on particular issues.



# Singapore-Indonesia Relations: A View

Goenawan MOHAMAD

In November 1967, barely three months after ASEAN came into being, Mr. Lee Kuan Yew was quoted as saying: "Can you guarantee me that we will always have in Indonesia a pragmatic, realistic, hard-headed, co-operative, peace-loving regime?"

The question is, of course, rethorical. It brings out one constant worry in the mind of Singapore's leaders -- the Old Guards, at least. For better or for worse, no country can choose her immediate neighbour. It's even more unlikely that a nation of Singapore's size and capability can create a next-door regime in her own image.

A long-term outlook on Singapore-Indonesia relations has therefore to start with a presumption of volatility. The question is: how volatile? One thing that should not be overlooked is that this is a critical period when both nations have to adjust themselves to the inevitable change of leadership and, probably, new international and economic pressures.

Typically, it was the Singaporeans who ably transmitted their apprehension of the fact. As always, crisis and survival feature high in their self-assessment. It shows their brand of realism. It is also -- one is tempted to say -- nicely compatible with the image they enjoy cultivating: Singapore as a success-story republic, lying precariously, but defiantly, on the brink of something else. The vicinity is totally unpredictable.

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I would like to thank Dr. Leo Suryadinata of the Department of Political Science, National University of Singapore, for sending me a number of valuable references, which I used rather liberally, without proper acknowledgement. The responsibility of any misinterpretation is, of course, mine.

Paper presented to the Indonesia-Singapore Conference organised by CSIS and SIHA, Bali, July 23-24, 1986. Goenawan Mohamad is Chief Editor, *Tempo* weekly.



"Your neighbours are not your best friends, wherever you are," Mr. Lee Kuan Yew once said (and quoted by his admiring biographer, Alex Josey). But time changes.

In May 1973, the Prime Minister paid a state visit to Jakarta. The visit was an eventful one. It was his first face-to-face meeting with President Soeharto. It took place five years after the hanging of the two Indonesian marines in the Changi prison -- an act which created a huge uproar in Jakarta. The courtesy call -- although it was more than that -- was a watershed, ending a period of taciturnity.

What follows is more than one decade of good relations. They consist of almost yearly Lee-Soeharto meetings, regular joint military exercises, fast growing trades, and a five-year Batam Agreement in 1980. The thrust towards rapprochement was everywhere obvious. Singapore put a good face on Indonesia's semi-veiled, and sometimes frantic, efforts to compete. In March 1979, for example, Prime Minister Lee assured investors that although development plans of Batam called for the same incentives that Singapore was offering, the Indonesian island would not be a business rival. When Indonesia expanded her own refining capacity, to cut out a dependence on crude processing deals and product imports involving Singapore, the latter let the world know that it was all in the game.

Of late, Singaporean leaders even volunteer to make reassuring statement about Indonesia. After his recent visit to Jakarta for the much acclaimed airshow in June 1986, Mr. Goh Chok Tong, for one, announced his enthusiasm (he was "bullish," he was quoted as saying) about Indonesia's economic prospect and the government's plan to come out of the shrinking oil revenue. The comment was certainly a welcome good word for Jakarta technocrats, already vexed by erratic oil prices and bureaucratic jumble.

More important still was the remark made by Mr. Lee Kuan Yew during a 1986 press conference in Australia, praising President Soeharto's achievements, when everybody else was speaking about the *Sydney Morning Herald* story on the President's "business connections." The remark was not only a timely repartee; coming from Mr. Lee, it has also an air of credibility.

On the whole, Singapore has indicated that her proximity with her neighbours is not merely geographical. Again, this is another shift of emphasis. Mr. Lee Kuan Yew was once asked if he thought that long distance was an impediment to friendship. He replied, according to Alex Josey, that he'd been told that it was always easier to be friends with those not immediate neighbours. Personally, I think he is right. But in Singapore the current stress apparently is less on the previous "global city" strategy. The leaning is now towards regional co-operation.

One openly sceptical about the benefits of ASEAN, Singapore is now fast becoming an active member of the association (without being its zealous convert). At least, ASEAN has proven itself to be of some use, as a cohesive unit fighting protectionist barriers somewhere else.

The result, to be sure, has been "miniscule economic gains," to borrow the Prime Minister's premonition long time ago about things that ASEAN were likely to produce. But the October 1977 meeting between ASEAN and EEC in Bangkok, as well as ASEAN's joint stand against Australis's new International Civil Aviation Policy, suggest that you can keep it at it.

Still, ASEAN is admittedly a bore. It is an inclosure of constant consensus. Consequently, it is also not the right table to have real business talks. What I mean is that here you cannot possibly deal with the real game in interstate relations, namely national goals and national interests. Will the arrangement then be something more than a sound-proof room for bilateral intransigence?

As Singaporeans would be ready to admit, nothing seems to warrant a complete faith in perpetual cordiality. Every-time I talk to ordinary Singaporeans, I have the impression that Indonesia is one country that has a perennial bad press in their mind -- despite *The Straits Times'* sensitive coverage on all things pertaining to Jakarta lately.

One way to explain Singapore's uneasiness is, I presume, her economic achievement, and the regional social amalgamation in which it unfolds. Living in a well-run, Western-styled urban surroundings, with a competitive, hard-working Chinese *hoa-chiaus* in the majority, Singaporeans find it naturally difficult to dismiss their misgiving about the neighbouring Indonesians.

I have a fancy that they tend to perceive those 140 million people across the border as another group of under-achieving, fun-loving Malays, who, since Raffles' time, have remained slow to come up with economic progress. Used to the tough life of immigrant-survivors, and thriving on their version of Calvinist ethics, middle-class Singaporeans often incline to equate poverty -- and underdevelopment -- as failure or the product of a wrong, "less intense," culture.

I may be exaggerating. But at the lower level of political sophistication, it is people-to-people impressions which count. The problem is that they generally come from a close encounter of the tourist kind. The visiting Indonesians, both the newly rich upper middle-class shoppers and the enterprising *inang-inangs*, may think that the Republic of Singapore is nothing but a sprawling, glittering, department-store that belongs to a group of well-to-do Chinese. But generally they look up to it as an immensely successful establishment, albeit grudgingly, jealously. They even like to tell their hosts -- some of them may be



their distant relatives, or business partners -- of their plight back home, of frustrating cities, chaotic traffics, squalid slums, corruption, and other kinds of dirt made in Indonesia. And the Singaporeans later discover that these all are true.

Like the rich everywhere, they become wary of the envious poor nearby. History of racial and economic clashes that took place all over the region confirms Singapore's need for continuous alertness. Particularly, when you remember the recent past.

In the sixties, Indonesia launched the *Konfrontasi* campaign, an expensive and bloody undertaking, when her economy was in a complete shamble. And later, in the seventies, after a period of "pragmatic, realistic, hard-headed, co-operative, peace-loving" foreign policy, she struck again and shocked the world with "the Indonesianisation of East Timor."

For this reason, Indonesians get their reputation of having a bent for rashness, especially when they are in distress. I think it was such behaviour that Mr. Rajaratnam has in mind when he said about people who "sought to divert internal discontent by picking up quarrels with neighbours," in his discussion on the politics of the "global city."

To a present-day Indonesia, the way Singapore looks at the world around her and appear to be a little bit too fidgety. Indonesians will possibly even call it "the Little China syndrome." No doubt, it is grossly unfair. Nonetheless, after two decades of no belligerency, one has to put the past into another review.

In retrospect, *Konfrontasi* might be an absurd act of audacity. My favourite theory, however, is that it had nothing to do with the proverbial Malay amok. Neither it was Soekarno's way to divert domestic discontent. I rather think that it was a violent venture stemmed from, an hatched during, the fervour of "secondary nationalism."

What I am referring to is a new nationalistic elan, moving from its original anticolonial temper, (after no longer setting itself against an occupying foreign regime), into a fresh will to power. It may be an upshot of the concussions, the anxieties, and, later the convalescence, taking place along the turbulent course of tug-of-war between centrifugal and centripetal forces that make a new nation. At this stage, a diverse people go into a large-scale attempt, through trials and errors, to become a definite, incontestable, nation-state. They muster their own energy, flaunt their pride and prejudices, and incur great expense and a number of economies.

A lot of heat and sound and fury emanate from such a process. One can get a blurred vision after a while, and collision is inevitable between actors.

In a much less violent manner, with a different kind of passion, it was also the same nationalistic fervour that motivated the PAP to build the Republic, after Singapore's separation from the Malaysia Federation. I presume another variation of the theme was at work when Singapore opted to go ahead with the hanging of the two Indonesian marines, despite President Soeharto's appeal for a less severe punishment.

Still, the past was not entirely stormy. Even "secondary nationalism" has its limit. The momentous self-restraint of the Indonesian leaders in 1968, after the hanging of the marines, was both a display of statemanship and a bow to necessity. Pressed by the need for a massive economic rehabilitation -- and ample aid from Western donors -- Indonesia understood the hazard of paroxysm. Later, she marked a long record of forbearance towards Singapore's lukewarm interest in ASEAN during its early days of existence. She even remained temperate facing Singapore's open reluctance to support Indonesia's solution of East Timor. This also happened amidst the regional discords concerning the Vietnamese presence in Cambodia.

One big question is whether Indonesia has the necessary management of political change, to make the present bilateral adjustment undisrupted and the present regional arrangement viable. Needless to say, what the future has in store for the countries concerned doesn't depend on our present ideas, which, after all, have to be reduced to conjectures. My hunch is that it will be misleading to focus on the undefined future of Indonesia's leadership, and colour her unpredictability, or caprice, too highly. The region's rapid growth during the last two decades is such as to create further demands for capital formation -- precisely because of the constantly fluctuating markets and the uncertainties of trade, free or otherwise. Hence the growing urgency for economic survival and the need for stability.

Eventually, these will dampen a great deal of nationalist excitability in the region -- something which ASEAN, despite its clumsy institutional edifice, has been doing quite well during the last 19 years. It makes a lot of squabbles less costly. One must not forget that ASEAN was a child of Indonesia's economic vulnerability, rather than a gesture of her political *bon-homie*.

What is to be done is therefore to be prepared for a new bout of bilateral bickerings, and accept them as normal happenings between neighbours, steadily.



# Business Relations between Singapore and Indonesia

J. PANGLAYKIM

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*Editor's Note: All too often scholars of outstanding dedication have left us, though more of their contributions are still expected. Professor Panglaykim is one of them. He has devoted more than thirty years to teaching management and economics at several Higher Learning Institutions in Indonesia and abroad, was consultant to private industries and banking and member of the Executive Board of CSIS in Jakarta. He has also contributed innumerable books and articles on management in particular and economics, many of which are published in The Indonesian Quarterly. This is one of his papers, presented to the Indonesia-Singapore Conference organised by CSIS and SIIA in Bali on July 23-24, 1986 shortly before his demise.*

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## SUCCESS OF SINGAPORE

It has often been observed that the GDP successes during the period of 1966-1984 "were much more of a spinoff from the oil, commodity-trade and banking growth of its neighbours than is often acknowledged." This can be interpreted as present difficulties closely related to the slowdown of the economies of her neighbours along with protectionistic tendencies and policies in the industrialised countries (EEC/USA). The "failure" of Singapore's policy makers to acknowledge this might have aggravated this problem.

## LEADERSHIP AND CORRECTION

The policies, measures and government interventions taken by the Singapore authorities have come under criticism and the leadership have been submitted to undertake some corrective measures. The committee headed by Brig. Lee H.L. prescribed the following:

that Singapore must throw off the shackles of overregulation, excessive government-imposed costs and preference for the corporate state over individual entrepreneurship and public over

private capital. In other words going back to the fundamentals such as market forces and decentralisation of decision making are becoming more and more respectable and acceptable.<sup>1</sup>

## EMPHASIS ON A GLOBAL ORIENTATION

The committee has emphasised that the "growth needs and opportunities lie more in a global than a regional context, omitting the discussion of the effect of commodity prices and policies in Indonesia and Malaysia -- perhaps a response, conscious or not, to their economic outlook and their attempt to reduce dependence on the entrepot city."<sup>2</sup>

## PREFERENCE TOWARDS LARGE FOREIGN COMPANIES

At the same time, there was an implied preference for large foreign companies with their predictable ways, inbuilt markets and technological strength over the freewheeling commercialism of the traditional Singapore-Chinese business man. In short, a preference for education, technical expertise and good order over money making ...<sup>3</sup>

Who is at fault? Government or businesses? It is noted that domestically owned business have performed worse compared to foreign owned corporations. But it is also acknowledged "that government attitudes, over-regulation, social preferences for safety over risk-taking and the appeal of well-paying public sector jobs have all played a part in discouraging entrepreneurship." It pleads for a more creative environment. Emphasis of the money reserves in overseas investment. Saving is high (42%) compared to Japan (31%), with capital formation which stood at 46%. But 63% of capital formation was invested in constructions, in the public and private sector, in hotels, offices and apartment buildings.

## THE SERVICE SECTOR IS STILL DOMINANT

For all the talk of high-tech industries and high value-added manufacturing the report keeps its feet firmly on the ground: services will continue to provide more opportunities for growth than manufacturing. This makes sense given Singapore's size, geographical position and commercial history. While it notes that Singapore's comparative advantage exists more in exporting services than goods, it avoids placing this in a regional context. At one point it declared that Singapore does not have a hinterland -- which may be true in a political sense, but not in an economic one, unless Raffles was wrong! The report is correct to state that "the regional outlook is not completely unclouded" -- perhaps reflecting both neighbours' attempts to deprive Singapore of some of its comparative commercial advantages and the minuscule progress made in ASEAN economic co-operation. So it is perhaps not surprising that Singapore wants to continue to expand its horizons.<sup>4</sup>

<sup>1</sup>See *FEER*, 27th March 1986, p. 72.

<sup>2</sup>*Ibid.*, p. 72.

<sup>3</sup>*Ibid.*, p. 76.

<sup>4</sup>*Ibid.*, pp. 76-77.



This means looking more into the problems of the region and also looking to compete more at a global scale.

### SINGAPORE AS BRAIN CENTRE AND SERVICE CENTRE (FINANCIAL CENTRE, TRADE CENTRE) AND HIGH-TECH CENTRE

As indicated earlier, the availability of Singapore as a service centre is considered more realistic compared to the pursuit for becoming the regional brain and high-tech centre.

#### Finance and Trade Services

Financial and trade services cannot be separated because many businessmen see these in an integrated package. Singapore being a financial centre is primarily to finance trading activities of the region and in the case of Indonesia, the financial institutions operating in Indonesia have so far not been able to effectively challenge this position. This can be explained as follows.

First the variety of money instruments available to traders from Indonesia in Singapore is relatively better than those offered by the banks in Indonesia. Singapore banks have developed a certain degree of sophistication in the offering of money and capital instruments to the financial sectors. Forward selling, which might be similar to the swap arrangements in Indonesia, can be done without too much difficulty, whereas in Indonesia every swap arrangement must obtain an approval and permission from the Central Bank. On the other hand trade finance is not seen as credit application, and trade finance in many commercial banks in Indonesia is still classified as a credit arrangement. This takes time to clear and involves a number of formal procedures. Thus it takes time to implement the application of trade credits in Indonesia while commercial banks in Singapore, once one is an established bank client it may take only a couple of hours to open a letter of credit with an allowance of 180 days deferred payments in the form of a T/R arrangement.

Secondly, the services rendered by commercial banks in Singapore are generally undertaken in a clean and efficient way and no personal extra charges are allowed and permitted. If these things happens the credit officer or the bank officer will be persecuted in court. Services terms of time etc. are carried out more efficiently and with less bureaucratic red tapes.

Thirdly, banks in Singapore are very competitive in terms of interest rate and other facilities allowed to their clients. They have to be competitive to stay in business. Fourthly, Rupiah financing can also be arranged through L/C to one of the banks in Indonesia.

If one looks into the financial and trade services rendered by financial institutions in Singapore it is therefore of no surprise that almost all the big and middle size companies in Indonesia, in one way or the other, has an office and operation in Singapore to take advantage of the efficient services rendered by these financial institutions.

This has assisted many of the goods imported and exported to and routed through Singapore which functions as an entrepot centre. When in the past these services has been rendered through traditional merchants around the Teluk Ayer Street etc., now Indonesian businessmen can go directly to the various financial institutions and thus eliminating old traditional intermediaries. This has substantially reduced expenditures of using Singapore as an entrepot centre.

In other words the variety of money and capital instruments offered by Singapore's financial institutions, the efficiency in rendering services as well as their competitiveness and the speed of implementation along with the easy communication with the global business community, has given Singapore a man made comparative advantage to their counterparts in the neighbouring countries, including Indonesia.

### Trade Centre

Another advantage which has made Singapore a trade centre, is the fact that a number of Indonesian manufacturing companies have traditionally used Singapore as a centre from where they can export their products. It seems that based on the experiences of these manufacturers many buyers from the global markets stop at Singapore for shopping to find out as to what kind of products are available for exports. Many of these manufacturers have found buyers by establishing a marketing office in Singapore, from where they can develop their export market. This may not have developed in a big way but is gradually becoming more important. On top of this the big companies, in particular the Japanese trading companies, have been very active in exporting products from Singapore and importing from other places through Singapore for distribution to other destinations. It is probably true that the Sogo Shoshas have been very instrumental in promoting manufacturing products from Singapore to Japan or other destinations.

### TRADE PATTERN SINGAPORE-INDONESIA

Trade figures e.g. import and export between the two countries show the following pattern.



The volume of trade between Singapore and neighbouring countries such as Thailand, Vietnam and Malaysia in particular, can be described as substantial. Taking into account the relatively high percentage of Singapore trade with her neighbours, Singapore should acknowledge that she has an interdependency in trade relationship with her neighbours. This however does not mean to say that the present global orientation of Singapore is espousing. It is important for a country such as Singapore to have a large global outlook. But it is also important that Singapore fully recognises her man made comparative advantage in the financial and service sector. This is proving to be increasingly more important, even if the expected gains is very much tied up with the growth of the above mentioned countries. The same is also applicable to Singapore's relationship with the other industrialised countries. Growth in the industrialised countries will benefit the Singaporean economy, if the dependence of trade with industrialised countries becomes too high. There is a danger that a "hostage position" could develop, as can be seen in the many developing and developed countries trade relationship with the American Economy. A depression or a decline in the exports to the US has had severe effects on many of these countries. A case in point has been the Taiwan Economy and in a lesser degree the South Korean and the Japanese economies.

	Singapore		Japan		U.S.A.	
	Export	Import	Export	Import	Export	Import
- Jan.-Dec. 1980 *)	2.483 (11%)	936 (8%)	10.792 (49%)	3.413 (31%)	4.303 (19%)	1.409 (13%)
- Jan.-Dec. 1981 *)	2.177 (9%)	1.243 (9%)	10.546 (47%)	3.989 (30%)	4.084 (18%)	1.795 (13%)
- Jan.-Dec. 1981 **)	2.894 (11%)		11.950 (45%)		4.852 (18%)	
- Jan.-Dec. 1982 *)	3.121 (13%)	2.819 (16%)	11.193 (50%)	4.279 (25%)	3.546 (15%)	2.417 (14%)
- Jan.-Dec. 1982 **)	3.121 (13%)		11.193 (50%)		3.546 (15%)	
- Jan.-Dec. 1983 *)	3.128 (14%)	3.464 (21%)	9.678 (45%)	3.793 (23%)	4.267 (20%)	2.534 (15%)
- Jan.-Dec. 1983 **)	3.128 (14%)		9.678 (45%)		4.267 (20%)	
- Jan.-Dec. 1984 *)	2.125 (9%)	1.791 (12%)	10.353 (47%)	3.308 (23%)	4.505 (20%)	2.560 (18%)
- Jan.-Dec. 1984 **)	2.125 (9%)		10.353 (47%)		4.505 (20%)	
- Jan.-Sep. 1985 **)	1.344 (10%)		6.428 (43%)		2.837 (21%)	

\*) Source: Central Bureau of Statistics.

\*\*) Source: Central Bureau of Statistics (*Business News* 4378/14-7-1986).

# **The Role of the Great Powers in Southeast Asia: A Singaporean Perspective**

Bilveer SINGH

The existence of great powers is a reality of the international system. By definition, their interests are not merely confined to their respective geographical entities but sprawl far and beyond, especially for the two superpowers, the United States and the Soviet Union. However, a great power is not essentially a superpower. A great power role is not always determined by its economic or military superiority but several factors -- strategical, geo-political, even social and cultural -- may sometime inspire and even force a country to play a great power role under given circumstances for a given country or region. In Southeast Asia, several extra-regional powers have played such a role in different historical periods. The region has traditionally been an area of great power conflict and rivalry. After the Second World War, colonialism was effectively challenged, both politically and militarily, in a number of Southeast Asian countries. While the Western Powers, headed by the United States, were engaged in re-establishing the supremacy of their system, the communists and nationalists thought it worthwhile to challenge it in an area where much of the prestige and vital interests of the imperial powers were at stake. It can be suggested that the United States, the Soviet Union, the People's Republic of China and Japan are the interested major powers in the region today and have the capacity to play a great power role in Southeast Asia.

Examining the role of the great powers in the present and future of Southeast Asia is both an exciting and dangerous endeavour. Indeed, the further we delve into the future, the more speculative the exercise becomes. Equally dangerous is the generally unpredictable nature of the major powers' policies,



caused in part, by the global spread of their interests. Added to this is the fact, that what will be the future of Southeast Asia is something that cannot be predicted with certainty, making the analysis of the role of great powers all the more challenging. In this context, this paper examines the policies of the four great powers, viz. the United States, the Soviet Union, the People's Republic of China and Japan towards the region. These four powers have no territories in the region and even though are themselves characterised by inequalities in power and role differentiation, they all share the common feature of having direct interest and involvement in Southeast Asia. Their interests, policies, nature of relations and future role in the region will be examined.

## UNITED STATES

Among the major powers, only the United States can claim a status as a colonial power in Southeast Asia, referring to its imperial role in the Philippines from 1898 to 1947. However, unlike the other major Western colonies in the region, the Americans arrived late and that too, as the second, not first, colonial power in the Philippines, after the Spanish. In this context, the US interests in Southeast Asia are not wholly new: its role was, however, confined to the Southeast Asian rim, that is, to the Philippines islands.

On the whole, she had little relations with Southeast Asia proper. The only country with which the US maintained regular diplomatic contacts prior to the Second World War was Thailand. Here, again, after the 1932 Thai Revolution, relations cooled as the military leaders moved closer towards Japan and this culminated in the "Tokyo-Bangkok axis," where in 1942, Thailand declared war against the United States and Britain, in line with Japan's bellicose relations with these two Western powers.

Close American relations with Southeast Asia only began after the Second World War -- that too was peripheral as long as the Western colonial powers continued their colonial-oriented policies. Following the Second World War, the United States emerged as the only superpower economically, militarily and politically. Being the principal victor, which defeated the Japanese in the Pacific War, the Americans expected to be given a role in post-war Southeast Asia. At the same time, following the declaration of the Atlantic Charter by Roosevelt and Churchill, one enunciated US goal was independence and self-determination of Southeast Asian states. Initially, the United States played an important role in decolonisation and often came into conflict with the colonial powers. But with the onset of the Cold War, Marshall Plan and the Truman Doctrine, the US in many ways, rescinded its earlier stance, as its object became the halting of the Communist march. Despite this, the US did play an

important role in resolving the war of independence in Indonesia. It tried to do the same in Indochina: but in many ways, had contrary results and in the long-run, proved counter-productive and disastrous. While the US indicated interest in Southeast Asia after the Second World War, its serious look turned into paramount interest and concern only after the birth of the PRC in 1949 and later, the Korean War. This was to lead to policies which were to shape Southeast Asia's political, economic and military map for the next four decades or so.

Historically, the US interests in Southeast Asia are largely a function of strategic, regional and local developments. The Americans have political, economic, military and ideological objectives in Southeast Asia.

### **Political Objectives**

Maintenance of a balance of great powers involvement: Historically, there has been a determination to ensure that no external power hostile to it should gain preponderance over the region. This goal existed since the Second World War, where the aim was to check the Japanese, later the Chinese and now the Soviets. In this regard, the object is to ensure that American involvement corresponds with or offsets involvement of the other powers. At the same time, it involves the balance use of political, military and economic instruments, but where there has been a marked shift from direct military role during the heydays of the Vietnam War to less direct military role.

Preservation of Japan's orientation to the US: Japan's dependence on oil from the Persian Gulf and Indonesia, the geographical location of Southeast Asia astride sealanes of communications from the Persian Gulf to Japan, the growth of the Soviet Pacific Fleet and extensive Japanese economic interests in Southeast Asia, have compelled the US to ensure that Southeast Asia will always be a useful platform for Japan's progress and security. If the region becomes a threat, it would have dire consequences for Japan and hence for its security relations with the US. It may also set Japan on a dangerous course and hence threaten US's security.

Maintenance of security and stability of the non-communist countries of Southeast Asia: ASEAN is now seen as the cornerstone of US's Southeast Asian policy. Its stated goals involved support and strengthening of ASEAN politically, socially, economically and militarily. In times of grave danger from outside, the US wants to ensure security of the ASEAN countries, especially Thailand, which is a frontline state and one with which the US has security commitments.



A stronger Japanese role in supporting the ASEAN countries: This objective emerged only after 1975, partly to compensate for the reduced US involvement and to give blessing to Japanese initiatives in the region. However, there is a strong emphasis on Japan's economic role in the region, which is deemed necessary to contribute to the stability of the ASEAN region. The Reagan Administration has also been prodding Japan, rather controversially, to play a larger military role in Southeast Asia.

Normalisation of relations with Vietnam: The aim is to make Vietnam less hostile and threatening to Southeast Asia and to reduce Soviet influence. This objective was somewhat refined after 1978, where normalisation was seen as an instrument to change Vietnam's behaviour on the Kampuchean issue.

### **Economic Objectives**

To gain access to resources and markets of the region. Southeast Asia, especially ASEAN, is of great economic importance to the US, as a source of energy, raw materials and investments.

To ensure economic development of the region. It aims to aid programmes that would stimulate economic growth as well as to continue with its free market economic system. The importance of the region is indicated by the fact that ASEAN has become the fifth largest trading partner of the US.

### **Military Objectives**

To avoid combat involvement on the Southeast Asian mainland, especially of ground forces throughout the region, as embodied in the Nixon Doctrine.

To contain and support the defeat of communist insurgencies in the ASEAN region.

To have access to the passageways between the Pacific and Indian Oceans and to protect Japan's scalanes of communications.

To ensure Vietnam's withdrawal from Kampuchea and that it does not threaten the security of ASEAN states, especially Thailand.

To see the reduction of Soviet influence and the elimination of Soviet military bases in Indochina.

## Ideological Objectives

To ensure that ASEAN countries remain anti-communist.

To promote the expansion of the free market economies in the region.

To promote democratic political development: This has been a controversial goal, which arose out of the Vietnam War debacle. This was embodied in Carter's human rights policy where ASEAN countries swerve targeted by the Administration and Congress for investigations, which complicated relations with the non-communist countries of the region, especially with Indonesia and the Philippines. Under the Reagan Administration, this objective has been downplayed.

In the light of these interests, the US role in the region is best illuminated by separately examining its relations with the ASEAN and Indochina regions.

## The United States and ASEAN

US policies in the region have undergone distinct shifts. This can be largely understood in the context of the broader global scenario in view of its status as a superpower. The region's importance in the first instance can be understood in its role as part of US world-wide containment policy following the enunciation of the Truman Doctrine in 1947.<sup>1</sup> The outbreak of communist revolts in Southeast Asia, the birth of the PRC and the Korean War, reinforced American perceptions of the need for containment in the region. This policy manifested itself in the establishment of SEATO (Southeast Asia Treaty Organisation) in 1954 as well as the defence arrangements with a number of countries in the region. The object was to safeguard the independence of countries in the region against the imminent danger of communist invasion. The approach was overtly military, undertaken at two levels: (1) to safeguard the military security of Southeast Asian countries against Communism by strengthening their military power and capacity; and (2) to extend the mantle of US military power over the region. The Americans also understood the close relationship between communist threat and the political, social and economic problems and hence strove, behind the protective US shield, to resolve these problems. The US policies were, however, not totally welcomed. Only Thailand and the Philippines joined in the American efforts to combat the communist threat in American terms. Burma and Indonesia opposed the American policies and the rest of the countries merely paid lip service. In many

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<sup>1</sup>Arnfinn Jorgensen-Dahl, "Extra-Regional Influences on Regional Cooperation in Southeast Asia," *Pacific Community*, Vol. 8, No. 3 (April 1977), p. 413.



ways, the US road to Vietnam can be traced from here -- following the French defeat at Dien Bien Phu in 1954, the US increasingly began to play an important role in Indochina, interpreting developments there in Cold War terms and its policies were to climax in its commitments of some half a million troops and US\$ 20 billion per year in expenditure. Nevertheless, the importance of these commitments should not be lost on what was to become the ASEAN group: it permitted the countries there to develop and strengthen themselves -- in short, they gained valuable breathing space; ASEAN countries benefitted economically from the war boom. At the same time, however, a clear ideological line was drawn in Southeast Asia, something which was to colour the politics of the region for a long time to come.

The American interests in the ASEAN region stems from the size of the population of the area, the importance of raw materials, especially strategic and energy resources, the region's importance for investments and market outlets, the presence of strategic waterways, the ideological orientation of the regimes and the treaty commitments with two of the countries, viz. Thailand and the Philippines. Despite the disbandment of SEATO in 1977, the Manila Pact is still legally in existence and with it, commitments to the security of Thailand and the Philippines. For Thailand, this commitment has been reinforced by the Rusk-Thanat joint statement of 1962. For the Philippines, over and above the Manila Pact, there are commitments stemming from the Mutual Defence and Assistance Treaties as well as from various agreements pertaining to the continued presence of American military bases in the country.

In many ways, these interests have remained constant despite the enunciations of various policy statements since the Tet Offensive of 1968, inspired first by:

- a. President Johnson's decision to halt the bombing of North Vietnam.
- b. Nixon's Doctrine of 1969 which stated that the US would keep all its treaty commitments; shall provide a shield, if a nuclear power threatens the freedom of a nation allied with the US or nation whose survival is considered vital to American security; and in the case of aggression against a state in the region, the US would furnish military and economic assistance in accordance with treaty commitments but shall look to the nation directly threatened, to assume the primary responsibility of providing the manpower for its defence.<sup>2</sup>
- c. The Ford Doctrine of December 1975, which stated that the US would retain a military presence in Southeast Asia, highlighted the region's im-

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<sup>2</sup>Speech of 13 November 1969; text in William P. Rogers, *United States Foreign Policy, 1969-1970* (Washington D.C.: G.P.O., March 1971), p. 324.

portance to any stable balance of power in the Asia-Pacific region, saw partnership with Japan as a pillar of US strategy and called for continued efforts to normalise relations with China.<sup>3</sup>

- d. The disbandment of SEATO and the closure of American bases in Thailand in 1977.

These policies manifested the military withdrawal from mainland Southeast Asia but not its economic and political presence from the ASEAN region. At the same time, the defeat in Indochina, the Watergate crisis, the growing importance of Congress' role in foreign policy as well as public opposition against American "imperialism" abroad, forced the Carter Administration to look inward and reinforced the growth of American isolationism and this had serious consequences on Southeast Asian perceptions of the US role in the region.

In relative terms, however, the American military posture in the ASEAN region, especially in the Philippines, has remained largely unaltered. Unlike US relations with the other ASEAN member-states, the US relations with the Philippines should be understood in historical terms but now with utmost strategic implications for the US as well as the ASEAN states. This largely refers to the American integrated air-sea base complex at Clark Air Field and Subic Bay Naval Base. The bases provide the United States with a capacity to protect vital sea and air-lanes of the Western Pacific and their strategic importance is further translated into global and regional political significance resulting from the dependence on oil from the Middle East by Japan, Korea and the Philippines as well as the bases proximity to the Indian Ocean and Northeast Asia. The bases' importance also stems from their location near important strategic points, their role as staging and refueling for deployment of ships and aircrafts in the Indian and Pacific Oceans and their function as a major communications centre. Most important of all, the bases are a measure of American political commitment and will and the growing role as a balancer and counterweight to the rapid expansion of Soviet military power in the region.

Generally, the US has had good relations with ASEAN states since its inception, especially in the economic arena. While it is true that since 1975, US policy towards Southeast Asia, especially ASEAN, has been dominated by the effects of the Vietnam War, resulting in declining US presence and general feeling that the US body politics would not support massive US involvement in the region, since 1979, a qualitative change has occurred, developing at times into a broad strategic partnership. In this regard, the present US relationship

<sup>3</sup>See Lau Teik Soon, "US Role in East and Southeast Asia," *US 1976-1977: The US At 200: A Symposium* (Singapore: Singapore University Press, 1978), p. 8.



with ASEAN should be seen in the context of the following developments: Sino-Soviet rapprochement and normalisation, Sino-Soviet rivalry, the fall of Indochina to the communists, the growing cohesion of ASEAN, its increasing international visibility as well as relations with the EEC, Japan, China and the Third World, the growing strength of Vietnam and the rapid expansion of Soviet presence in Indochina and its inherent security implications for the US.

Relations with ASEAN countries are, however, not without issues. ASEAN's demands for financial support for industrial projects, request for increased private investments and for greater opportunities for ASEAN products to enter the US markets have irritated relations. But the most important demands have been made in the political and military arenas. This refers to questions relating to the Kampuchean situation, the military equilibrium in Southeast Asia and the China factor. While the US has not taken the lead in resolving the Kampuchean issue, it has supported ASEAN's position. It supports ASEAN's two-pronged strategy of searching for political settlement that would protect the legitimate interests of all states, including Vietnam's as well as applying diplomatic, economic and military pressure on Vietnam to force Hanoi to negotiate a political settlement. At the same time, in the light of Vietnam's military activities in Kampuchea, its border incursions into Thailand, the Soviet naval expansion in the Pacific and its acquisition of bases at Danang and Cam Ranh Bay, a number of ASEAN states have attempted to persuade the US to maintain a credible military presence to check the continued growth of Soviet-Vietnamese military capabilities.

At the same time, the ASEAN states have warned the US against flirting too outrageously with China for its own strategic objectives against the Soviet Union. Here, they have expressed concern over moves to upgrade military relations with the Chinese and the general assistance the US is rendering for China's "Four Modernisations."<sup>4</sup>

### **The United States and Indochina**

To the United States, Indochina has always been an enigma since 1945. Her idealism, brute nationalism, crude national interest and gross misreading and misrepresentation of the situation, invigilate her into her costliest and longest was since 1945 and, where she ended up burning her fingers -- and badly too. The US involvement in the area came into the open when she manifested support for French policies of strengthening the Vietnamese emperor, Bao Dai, as a counter to the growing strength of the communist-dominated Vietminh. This took place against the backdrop of the intensification of the Cold War in

<sup>4</sup>For example, see Jusuf Wanandi, *Security Dimensions of the Asia-Pacific Region in the 1980s* (Jakarta: Centre for Strategic and International Studies, 1979), pp. 25-26.

Europe and the growing success of the Red Army in China. But it was 1954 that marked a turning point for US policies in Indochina, that is, following the French defeat at Dien Bien Phu and the signing of the shaky Geneva Agreements. Following this, the US played a leading role in setting up the SEATO, extending in earnest, its containment policies into Southeast Asia. She propped up Ngo Dinh Diem in South Vietnam and supported Saigon's violations of the Geneva Accords. From 1954 onwards, Indochina came to be seen as a crucial link of potentially falling dominoes. While the area was not geographically or strategically important in itself, it played an important role in US containment policy in Asia. Following the success of Chinese Communists, the Korean War, the defeat of the French in Indochina and the birth of North Vietnam, the US came to see itself and adhered strongly to the belief that historically and geographically, the US cannot withdraw from Asia. The US involvement in Vietnam can partly be seen from that perspective. There were three other themes which reinforced her involvement in Indochina.<sup>5</sup> First, there was the Domino Principle, believing that the success of communist efforts in South Vietnam would encourage Chinese and Soviet expansionism into the rest of Southeast Asia. Second, South Vietnam came to be seen as a test case, to show that confrontation with the US would be costly and unrewarding. Finally, it came to be seen in terms of the humiliation the US would suffer if the communists succeeded in South Vietnam. In the words of President Nixon, "North Vietnam cannot defeat or humiliate the United States. Only Americans can do that."<sup>6</sup>

For different reasons, the US policy objectives were not realised in Vietnam and Indochina as a whole. The failure to combat the insurgency movements as well as the North Vietnamese Army led to the Paris Peace Accords in 1973. In April 1975, the South Vietnamese Government collapsed and by 1976, Vietnam was unified into a socialist country. In April 1975 too, the non-communist governments in Laos and Cambodia fell. The fall of these non-communist governments opened the road to questioning the credibility of US posture in the region. In the United States, after April 1975, Vietnam became a dirty word for politicians, military leaders, strategists and academics, leading to drastic cuts in Southeast Asian studies and general decline in interest in the region.

Since 1975, US policies towards Indochina has centred around two inter-related issues, Kampuchea and the Soviet presence there. The US goals in Indochina can be stated as follows:

<sup>5</sup>Melvin Gurtov, "Security by Proxy: The Nixon Doctrine and Southeast Asia," in Mark W. Zacher and R.S. Milne (eds.), *Conflict and Stability in Southeast Asia* (New York: Anchor Press, 1974), pp. 215-216.

<sup>6</sup>*Ibid.*, p. 216.



- a. To preserve the security of ASEAN states, especially now that Thailand confronts Vietnam in occupied-Kampuchea.
- b. To pressure the withdrawal of Vietnamese forces from Kampuchea and to lessen, possibly end, Vietnamese pressure on Thailand.
- c. To ensure the survival of the Khmer nation and their self-determination. Here, the object is to see the replacement of the Heng Samrin regime in Kampuchea by a non-aligned Khmer Government and in the process, end the human tragedy and suffering of the Khmer people.
- d. To force the reduction of Soviet influence and the elimination of Soviet military access in Indochina.<sup>7</sup>

For the US, there are three inter-related problems as far as Indochina is concerned. The MIA/POW problem is a legacy of US military involvement in Indochina. There are still an estimated 2,500 MIAs. The US has maintained that the dictates of humanity and the provisions of the 1973 Paris Agreements provide for the resolution of this issue and wants to separate this problem from other political and economic issues. But Vietnam wants to link them and hence the impasse.<sup>8</sup> When the refugee outflow from Vietnam was at its height, the US bore the burden of the exodus. Even up till today, a group of Vietnamese, labelled as Amerasians, that is, Vietnamese children fathered by US servicemen, are yet to be resettled in the US, even though there have been negotiations on the problem for a long time. Finally, there is the problem of Vietnam's occupation of Kampuchea. The US shares ASEAN's position on the Kampuchean question and has supported ASEAN's strategy of resolving the problem. The aim is to seek a political settlement to end Hanoi's occupation of Kampuchea and by free elections, return to the Khmer people the right to choose their own leaders. In this regard, the US has expressed her confidence that under free elections, the return of the Khmer Rouge to power is a remote possibility. As far as the Kampuchean issues are concerned, US policy is to:

- a. Make clear to Vietnam that she cannot have her cake and eat it, that Vietnam must abandon its occupation of Kampuchea if she wants to have the benefit of normal relations with the US.
- b. Work towards a political settlement that promises Vietnam and all the countries of the region, a Cambodian Government which is not dominated by the Khmer Rouge and that is dedicated to growth and reconstruction within its own borders.

<sup>7</sup>John H. Holdridge, "US Interests in Southeast Asia," *Current Policy*, No. 295 (July 1981), p. 1.

<sup>8</sup>See Paul D. Wolfowitz, "Accounting for American POW/MIAs in Southeast Asia," *Current Policy* (United States Department of State, Bureau of Public Affairs, Washington, D.C.), No. 719, pp. 1.3.

- c. Continue providing diplomatic and political support to non-communist Khmer resistance forces.
- d. Continue to oppose Vietnam's efforts to gain international legitimacy for the puppet Heng Samrin regime.
- e. Maintain and increase security assistance to Thailand, ASEAN's frontline state.
- f. Support humanitarian efforts to UN Border Relief Organisations and the International Committee of the Red Cross to resolve the refugee problem.<sup>9</sup>

On the whole, there is unanimity in the US that Vietnam should be denied the fruits of aggression in Kampuchea. What is debatable is whether prolonged resistance to Vietnamese policies in Indochina would effect a reduction of Vietnam's dependence on the Soviet Union or would it, instead, deepen dependence on the Soviet Union and, if so, should the US modify its position in order to reduce Soviet influence. So far, the US Government has rejected the latter thesis, maintaining that it has no hostility towards the SRV but condemns the invasion of Kampuchea as a violation of UN principles. It also maintains that the object is not to bleed Vietnam but rather to push her towards negotiations and political settlement.<sup>10</sup>

A factor which has increasingly loomed large and grown in significance in US Indochina policy has been the Soviet Union. In this regard, increasingly, the Reagan Administration objectives in Indochina have become linked with its wider global goals of containing Soviet expansion world wide. In Southeast Asia in general, especially in Indochina, it is to prevent the Soviet Union from achieving a dominant influence in the area. This is because the Soviet presence there is seen as a threat to peace, economic growth and social stability of ASEAN and other non-communist countries of the Asia-Pacific Region. On the whole, the Reagan Administration sees the Soviet Union as having three principal goals in Indochina:

- a. To flank China in order to spread Chinese resources on two flanks.
- b. To seek a position astride the major sealanes linking East Asia and South-west Asia.
- c. To turn the economic ruin of Indochina into political and strategic advantage.<sup>11</sup>

<sup>9</sup>Paul D. Wolfowitz, "Cambodia: The Search for Peace," *Current Policy*, No. 613, 11 September 1984, p. 3.

<sup>10</sup>See John H. Holdridge, "The US-ASEAN Relationship: A Status Report."

<sup>11</sup>Richard L. Armitage, "Regional Security Problems of Southeast Asia in the 1980s: A US Defense Department Perspective," *ibid.*, p. 71.



In this context, the American bill of complaints against Soviet activities in Indochina include: its military expansion in Indochina which is deemed as destabilising for the region; its economic, political, military and diplomatic support for Vietnamese expansionism, especially in Kampuchea; its espionage and other political activities which threaten ASEAN; and Soviet chemical warfare in Indochina against the Hmong tribesmen in Laos and the KPNLF and the Khmer Rouge in Kampuchea.<sup>12</sup>

One complain often heard in ASEAN circles is that the US has refused to take a lead in the Kampuchean issue and that it has become a follower and the "Vietnam syndrome" is blamed for this behaviour. And when the US Senate and House of Representatives approved of a US\$ 5 million aid programme to the non-communist factions of the resistance movement, some circles thought that at long last, a change has taken place in the US thinking.<sup>13</sup> How accurate is this reading?

But first, why did the Reagan Administration pursue a hands-off policy as far as military aid, to the Khmer resistance is concerned since 1981? This can be explained by:

- a. Its belief that it could not push hard its goal of sending military aid as this would raise alarm bells in the country of US military intervention in Indochina and in the process, raise the spectre and memories of its past disaster there.
- b. It felt that even if it was keen on sending aid, Congress would not approve of it.
- c. There was also the feeling that a tacit understanding existed where ASEAN was to take the lead and the US was to act in concert and support of the Association's policies.
- d. There was also the fear that massive US military aid would transform the present ASEAN-Indochina conflict into a US-Indochina conflict which would make it difficult to garner world support as well as work against overall ASEAN plan and strategy on the Kampuchean issue.
- e. There was also the belief that the non-communist factions were weak and that would be a bad investment and worst still, the weapons may fall into Vietnamese hands.

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<sup>12</sup>See George P. Shultz, "Chemical Warfare in Southeast Asia and Afghanistan: An Update," *Special Report* (United States Department of State), No. 104, November 1982, pp. 5-10; Paul D. Wolfowitz, "Cambodia: The Search for Peace," *Current Policy*, No. 613, 11 September 1984, pp. 1-4.

<sup>13</sup>For details, see the writer's, "Cambodia: The Politics of US Military Aid," *Asian Defence Journal*, No. 10, 1985, pp. 100-103.

In March 1985, the US Administration changed its policy of military aid to the Khmer resistance forces and this was induced by a number of developments:

- a. The Administration's belief that Congress' thinking regarding Indochina had undergone changes.
- b. The belief that Vietnam was not serious or sincere in negotiating a political settlement.
- c. The appeal for military aid by the ASEAN Foreign Ministers.
- d. The success of the Vietnamese dry season offensive which wiped out all the border camps of the Khmer resistance forces and drove them into Thailand.

This, in many ways was the immediate cause of change in the Reagan Administration thinking on the question of military aid. The object was to deny Vietnam political and diplomatic fruits from its offensive, to increase the cost to Vietnam of its military policies and to warn Vietnam that the US was an important element and had a card to play in the Indochinese equation. It was also a message to the Soviet Union, of American resolve in Southeast Asia. On the whole, however, the US's role in Indochina has remained detached and indirect and its major focus and cornerstone of its Southeast Asian policy has been ASEAN. This is the direct reverse of the Soviet position.

## THE SOVIET UNION

In Soviet parlance, what is regarded as the Third World today, has been since 1917, termed as the East, meaning countries from Asia, Africa and Latin America. In this context, Southeast Asia was rarely called as such until after the Second World War. Moreover, the USSR had no direct interest in that region. Even after the Second World War, where tremendous political and social changes were taking place in Southeast Asia, Stalin continued to neglect the region. A number of factors explained this policy:

- a. In view of the fact that except for Thailand, the rest of Southeast Asia was part of the Western colonial empire.
- b. The Soviet Union's pre-occupation with consolidation of wartime destruction.
- c. Its pre-occupation with wartime gains in Central Europe.
- d. Its energies being expanded on the Cold War.
- e. The fact that Stalin did not believe in the independence of Third World



states, including those in Southeast Asia, where in the "two camps" theory, a state was either in the imperialist or "democratic" camp.

- f. The immediate concern with developments in France and Italy, where the communist parties were in a position to capture power through parliamentary means.
- g. The immediate concerns with communist insurgencies in Greece and the civil war in China.
- h. The lack of appreciation of communist parties assuming power beyond the range of Soviet military power, largely the legacy of the tragedy in China in 1927.

The neglect and even hostile posture towards the Southeast Asian countries was reflected in Moscow's refusal to recognise states like Burma, Thailand and Indonesia, its refusal to give recognition to the government of Ho Chi Minh until 1950 and the continued call for revolutionary process in Southeast Asia, such as the endorsement of the communist uprisings in the region that broke out in 1948 in Malaya, Indonesia, Burma, the Philippines and Thailand.

By 1952, especially after 1953, a change could be discerned in Soviet position. To be sure, the change was inaugurated by Stalin at the Nineteenth Party Congress in October 1952 but it was left to Khrushchev to implement. Stalin changed his posture because of two factors: (a) The failure of his earlier policies; (b) The realisation of the faulty nature of the "two camps" theory. It was discovered that the actual situation was more complex, especially as a result of actions by countries such as India, Burma and Indonesia. For example, their role in resolution of the Korean War, their criticism of the San Francisco Peace Treaty and their refusal to condemn China as an aggressor in the Korean War. These actions showed that these states were not neo-colonies and could, indeed, act against their former colonial masters.

The real change in Soviet posture towards Southeast Asia, however, occurred during Khrushchev's leadership, the highwater mark being Khrushchev, Voroshilov and Bulganin's visit to Burma and Indonesia. Changes in policy were clearly enunciated at the Twentieth Party Congress in February 1956, where the Third World was viewed as a "zone of peace" (*Zonamira*) and which could be an ally of the socialist bloc in countering the expansionism of the "imperialist bloc." The changes were induced by a number of factors:

- a. It was partly in response to domestic developments within the Soviet Union, where Khrushchev wanted to demonstrate a decisive break with the dogma-

tic Stalinist past and policies. Unlike Stalin the new Soviet leadership rejected the thesis that war was inevitable, and that the Soviet Union was being encircled by enemies. Instead, peaceful co-existence was preached between the two social and political systems.

- b. The adversary relations with the United States as well as China also prompted a change in Soviet policy towards the Third World. Following the announcement of the Truman Doctrine, the US implemented its containment policy with a heavy military emphasis as the establishment of NATO, CENTO and SEATO demonstrated. In this regard, one Soviet objective in the region was to breakthrough the US military encirclement in Southeast Asia. At the same time, Moscow aimed to exploit the expressed dissatisfaction of states in the region, such as Indonesia and Burma, of US "militaristic policies" in the region. The PRC only came to play a more important role in the region after the Korean War truce and this was clearly seen in its participation and active role at the Bandung Conference in 1955, a conference where the Soviets were excluded. The Soviet growing interest in an active role in Southeast Asia was in part to retard the growth of Chinese influence in Southeast Asia, an area that has been traditionally regarded as a Chinese sphere of influence.

The Soviet Union, however, did not see all countries in the region as being important. Rather, Moscow focussed on Vietnam, Burma and Indonesia. Vietnam was, however, under strong Chinese influence while Burma was moving towards self-imposed isolationism. This only left Indonesia open to Soviet approaches. Jakarta was targetted by Moscow for several reasons:

- a. There was the presence of President Soekarno, a charismatic leader who opposed the "old established forces" and pursued a foreign policy of "positive neutralism."
- b. After the Bandung Conference, Soekarno and Indonesia were emerging as leaders of the Afro-Asian movement, the fore-runner of the Non-aligned Movement.
- c. There was the presence of the revamped PKI under Aidit's leadership as well as Soekarno's willingness to co-operate with it, in line with Soviet Union's concept of "national democracy." This provided a semblance of "ideological legitimacy" to Indonesia.
- d. The US refusal to provide military and economic aid to Indonesia and its implications in the separatist movements in Sumatra and Sulawesi led to a deterioration of US-Indonesian relations and this provided Moscow with an opportunity to increase its influence in the archipelago. Similarly, the deterioration of Sino-Indonesian relations caused by the Overseas Chinese issue, between 1959-1961 provided the Soviet Union with a golden opportu-



nity to improve its image at the expense of its adversary.

- e. The size of the Indonesian territory, population and resources made Indonesia a natural leader of the region and this itself was an important consideration in the Soviet Union targeting on Indonesia.
- f. The issue of West Irian, where the Western powers were seen to be backing the Dutch, provided Moscow with an opportunity to back Soekarno's "just war" and hence win Indonesia's favour as well as improve its status as a supporter of "natural liberation movements."

Following the resolution of the West Irian issue, Soviet-Indonesian relations deteriorated, partly caused by the fact that Moscow played no direct role in ending the conflict. Moreover, after the Cuban Missile crisis in October 1962, the Soviet Union moved towards becoming a status quo power and opposed Indonesia's policy of brinkmanship, fearing that it may involve her in a war with the US. In this regard, Indonesia's "confrontation" against Malaysia embarrassed the Soviet Union, where she had to bail her out diplomatically in the United Nations (UN). Jakarta's decision to leave the UN was equally unexpected and embarrassing. In fact, a direct result of the growing chilly Soviet-Indonesian relations was the warming of Sino-Indonesian relations, where Soekarno and the PKI became pro-PRC in the Sino-Soviet conflict. In this context, Indonesia's estrangement with the Soviet Union represented a major political and diplomatic defeat for the Soviet Union in Southeast Asia, especially in view of the fact that between 1958 and 1962, Indonesia was the largest recipient of Soviet military and economic aid in the Third World, except Egypt. That Soviet investments in Indonesia did not pay dividends also represented one of Moscow's initial failures in the Third World.

In many ways, 1965 marked a major benchmark for Soviet policies and posture in Southeast Asia. Within the Soviet Union itself, following the ousture of Khrushchev in October 1964, a new leadership, under Brezhnev came to power and new policies towards the Third World as a whole were implemented. More propitious were the developments in the region itself. In Indonesia, following the GESTAPU "coup" in September 1965, the PKI was obliterated and Soekarno deposed. A new leadership under General Soeharto led to a re-orientation of the country's domestic and foreign policies toward the capitalist West. The United States also escalated its war in Indochina and began bombing North Vietnam following the Gulf of Tonkin incident. Finally, the Cultural Revolution in China, which inaugurated militant domestic and foreign policies, provided the new Soviet leadership with an opportunity to discredit Beijing as well as to make inroads into the region. At the same time, there was a shift in Moscow's policies from Jakarta to Hanoi. The Kremlin realised that Hanoi needed support, especially weaponry and since the PRC was in domestic turmoil and in no position to provide sophisticated conven-

tional weapons, the Soviet Union moved in to exploit the Vietnamese helplessness. A major Soviet consideration in investing in Vietnam was the growing Sino-Soviet rift and the object was to gradually edge the Chinese out of their dominant influence in Indochina.

Additional impetus for change in policy towards the region was provided by various developments in 1969. Firstly, there was the intensification of the Sino-Soviet rivalry as manifested by the violent border clashes between the two countries in March and November. Secondly, in April, the PRC held its Ninth Party Congress of the CCP leading officially to the end of the Cultural Revolution and the inauguration of a pragmatic foreign policy. One result of this was the growing warmth in the relations between the PRC and the US. Thirdly, in 1969, President Nixon announced the Guam Doctrine. Next, the British effected their policy to withdraw militarily from the East of Suez, in reality opening the race for the naval domination of the Indian Ocean. In direct response to these developments, the Soviet leadership floated the idea of an Asian Collective Security System as well as despatched Soviet naval vessels into the Indian Ocean, clearly indicating its heightened interest in the region,

These developments also led to a re-evaluation in Chinese policies towards Southeast Asia and especially with regard to the war in Indochina. Rather, there was a growing convergence of perceptions with the US that the country which posed the biggest danger to its security and its interests in the region was the Soviet Union. This also marked the beginning of the Chinese problem with the Vietnamese. The war in Indochina was to climax in the victory of the communist forces and the establishment of communist regimes in Indochina. Following the military withdrawal of the US from mainland Southeast Asia, amidst the soul-searching that accompanied its defeat in Southeast Asia, Beijing feared that the US withdrawal would lead to the Soviet domination of Southeast Asia and hence the Chinese policy of supporting a residual American presence in the region.

The fall of the non-communist regimes in South Vietnam and Laos led to the birth of a new ideologically polarised Southeast Asia. To be sure, the communist regimes of Indochina were not united. With the disappearance of anti-imperialism and anti-colonialism as national issues, traditional problems and rivalries re-emerged in Indochina between Vietnam and Kampuchea, Thailand and Kampuchea, China and Vietnam, Vietnam and Thailand and, China and Laos. It was in these circumstances that the Soviet Union sought to maximise its influence in the region. At the same time, in the context of the growing Sino-US rapprochement, there was a concomitant warming up between China and ASEAN countries, which the Soviet Union watched anxiously. In this context, Moscow decided to cash in on Indochina, especially in Vietnam, and this



was the lead to great success for its policies. This was, however, the result of circumstances rather than design. Before examining the Soviet position in both Indochina and ASEAN, it would be useful to examine the Kremlin's goals in the region.<sup>14</sup> Being a superpower, the Soviet objectives should be understood in the global context in its search for pre-eminent status world-wide. On the whole, Moscow's objectives in the region should be examined in relation to its adversary with the US and the PRC, both of which have important interests in the region, as well as its specific interests in Southeast Asia. In strategic terms, Southeast Asia is important for the Soviet Union because of US military presence in the Philippines. Additionally, the Manila Pact and bilateral military pacts with both Thailand and the Philippines manifest US strategic interests in the region, which naturally invokes Soviet attention. In this regard, one important Soviet goal is to neutralise and possibly, remove US power projecting facilities in Southeast Asia. Because of the rapid expansion of its navy, an important strategic goal is to ensure the unhindered passage of its merchant and naval vessels in the strategic waterways of the region.

In the light of the growth of Soviet military presence in Vietnam and its commitments in Indochina, the region has acquired an additional strategic significance since 1978. Southeast Asia is also important for the expressed purpose of effecting a military encirclement of China. Politically, the region's significance stems from the fact that its adversary, the US has a high standing in the region, especially in ASEAN. In this regard, an important goal is to see the reduction of US and Japanese influence and to dissuade local governments from backing Western military and political organisations. Similarly, it is aimed at ensuring that the countries of the region oppose PRC's moves to expand its influence there. With regard to ASEAN, it is aimed at ensuring, that, firstly it does not become a military bloc nor establish security relations with the West and China. Secondly, to divide and weaken it and to prod it to establish close relations with the Indochinese states as well as to accept Soviet policies there. Moscow's economic objectives are not important but where possible, the Kremlin aims to improve trading relations, to gain access to markets and resources of the region. Finally, ideologically, a long term goal is to ensure the triumph of its own version of Marxism-Leninism, compared to the Chinese model as well as to ensure that its gains in Indochina are not reversed. It is therefore clear that for the Soviet Union, Southeast Asia is more important in political-strategic-diplomatic terms rather than economic or ideological.

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<sup>14</sup>See F.A. Mediansky, "Soviet Strategic Interests in Southeast Asia," *Southeast Asian Affairs*, 1984 (Singapore: Institute of Southeast Asian Studies), pp. 33-47; See the writer's "Moscow's 'New Cold War' Against ASEAN," *Asia Pacific Community*, No. 31 (Winter 1986), pp. 138-148.

## The USSR and Indochina

Indochina, especially Vietnam, has become the principal focus of Soviet policy in Southeast Asia. Soviet Union's concentrated focus on Vietnam began in 1965, even though hot and cold relations dated back to 1950 when the DRV was officially recognised by Moscow. Since 1919, the Comintern had tried to influence events in the Third World and Ho Chi Minh, the Vietnamese communist leader, was closely associated with Comintern's activities in Southeast Asia. Despite the above association, Moscow did not recognise the DRV in 1945, following its August Revolution after the Japanese surrender. 1965 was, however, a turning point in the relations between the two countries. The new regime under Brezhnev had come to power in October 1964 and one policy objective of the new regime was to establish proper relations with "progressive states" which Khrushchev had antagonised or neglected. During the late 1950s and early 1960s, Khrushchev, in his Southeast Asian theatre, focussed on Indonesia. At the same time, following the Cuban Missile crisis, he had no intention of antagonising the US, especially where the Americans manifested interest and where US troops were committed. In fact, as far as DRV was concerned, he even withdrew assistance, as Hanoi was siding with the Chinese in its conflict with Moscow. Following the Gulf of Tonkin incident, the American escalation of its war there provided Brezhnev with an opportunity to reverse Khrushchev's neglect of Vietnam. In the context of the Chinese Cultural Revolution and the intensification of the Sino-Soviet conflict, Moscow was keen in winning Vietnam to its side and hence the new interest in that country. In fact, since 1965, Soviet relations had become well established in Vietnam. In 1946, General Giap adopted the "people's war" concept of Mao Tse-tung to combat the French and later, the Americans. However, from 1967 onwards, the Vietnamese relied more on conventional tactics, in line with Soviet concepts as well as Soviet military assistance, indicating one plane of rising Soviet influence in Vietnam. In this regard, Chinese influence in the military arena was slowly eclipsed by the Soviets. Later, the Soviet Union became its principal economic aid donor. Not only did the Soviet Union become the principal supplier of military hardware, it soon became its main trading partner and since 1977, its main political and diplomatic backer.

Soviet interests in Vietnam are threefold.<sup>15</sup> First, is Vietnam's role in Soviet scheme of things in confronting China. The object is to encourage Sino-Vietnamese hostility, to tie down Chinese forces and resources in the South to deal with the Vietnamese menace as well as to increase Hanoi's dependence on

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<sup>15</sup>See Robert C. Horn, "Soviet-Vietnamese Relations and the Future of Southeast Asia," *Pacific Affairs*, Vol. 51, No. 4 (Winter 1978/79), pp. 585-605 and Leif Rosenberger, "The Soviet-Vietnamese Alliance and Kampuchea," *Survey: A Journal of East-West Studies*, Vol. 27 (118/119) (Autumn-Winter 1983), pp. 207-231.



Moscow. Second, especially in relation with the rapid expansion of the Soviet Pacific Fleet, is to gain access to warm water ports in the region. This goal is all the more pressing in view of the American presence in the region and its availability of basing rights in the Philippines, Japan and South Korea. Finally, Vietnam is viewed as an important Soviet breach in the region, that is, to gain acceptance of Soviet influence in Southeast Asia, to contain the growing Sino-US presence and to check the growing influence of ASEAN as well as the Association's relations with the West and China.

Compared with its past position and in relation to the other major powers, the USSR has achieved great success in Indochina. This is evident by Vietnam's total dependence on the Soviet Union for economic, political, military and diplomatic support. Presently, the USSR supplies 90 per cent of Vietnam's food imports, 100 per cent of its oil, 90 per cent of its cotton, 70 per cent of its fertiliser, 80 per cent of imported metals and 100 per cent of military supplies.<sup>16</sup> Secondly, Soviet gains in Vietnam are clearly evident by its acquisition of military facilities at Cam Ranh Bay and Danang. Beginning with the visit by ten warships from its Pacific Fleet to patrol areas close to the Paracel Islands in February-March 1979, Soviet strength in Vietnam has risen to include deployment of four TU-95 and TU-142 Bear long-range surveillance aircrafts, one squadron of TU-16 Badger bombers accompanied by a number of Badger tankers, several MIG-23 floggers, several units of KA-25 Hormone Anti-Submarine Warfare helicopters, 30 YAK-36 Forger VTOL carrier-based fighters and between five and ten conventional and occasionally nuclear-powered submarines.<sup>17</sup> The final evidence of Soviet success has been the fact that Moscow has gained an ally which is militarily the most powerful country in Southeast Asia. The Soviet-Vietnamese alliance is encapsulated in the Treaty of Friendship signed between the two countries in November 1978.<sup>18</sup>

The development of close relationship between the two countries has widespread implications for countries of the region as well as for the parties involved. For Vietnam, its military alliance and close relationship with the Soviet

<sup>16</sup>See Donald S. Zagoria and Sheldon W. Simon, "Soviet Policy in Southeast Asia," in Donald S. Zagoria, (eds.), *Soviet Policy in East Asia* (New Haven: Yale University Press, 1982), pp. 159-160.

<sup>17</sup>For details, see D.V. Smith, "The Soviet Military Presence in Vietnam: What Implications for Southeast Asia?" *Defence Force Journal*, No. 54 (September-October 1985), pp. 51-55; "Vietnam Boosts Soviet Reach in the Pacific," *Backgrounders*, (Canberra: United States Information Service), 18 September 1984, pp. 1-4; Brigadier General Haji Abdul Ghani Aziz, "Cam Ranh Bay Threatens Regional Security," *ISIS Focus* (Kuala Lumpur: Institute of Security and International Studies), No. 1, 1986, pp. 4-13.

<sup>18</sup>See Lau Teik Soon, "The Soviet-Vietnamese Treaty: A Giant Step Forward," *Southeast Asian Affairs 1980* (Singapore: Institute of Southeast Asian Studies), pp. 54-65.

Union provides for an in-built deterrent against China. The Treaty of Friendship was not sufficient to deter the Chinese from launching their "first lesson" in February 1979. The physical Soviet presence in Vietnam presents a more credible deterrent. Behind the Soviet protection, Vietnam has been able to consolidate its control over Kampuchea and Laos. Finally, it has also enabled Vietnam, despite its ravaged economy and international isolation, to disregard ASEAN and international pressure, to reach a political settlement of the Kampuchean problem. For the Soviet Union, its close alliance relationship with Vietnam enables it to exert pressure on China, to fill the great power vacuum that has existed in Indochina since 1975 as well to demonstrate its political will to back Vietnam and thus pressure China and ASEAN.

More concrete are the military gains of the Soviet Union in Vietnam. By acquiring bases, Moscow has gained the following advantages: it has acquired access to an important warm water port in Southeast Asia; the base has meaning less cost and travelling time for its ships from Vladivostok, the headquarters of the Pacific Fleet, to the waters of Southeast Asia, Indian and Pacific Oceans; it means greater flexibility for its Pacific Fleet to operate in the region; it provides Moscow with a military counterbalance to American forces in the Philippines; it provides the Soviet Union with the wherewithal to project power in the region; it enables Moscow to respond to crises in Southeast Asia and the West Pacific more quickly; in addition to physical threat, it represents a real psychological intimidation to countries of the region as this is the first time the Soviets have military bases; and this sheer fact and presence have serious implications for countries of the region, implying that the Soviet Union has come of age in the region and that the "Bear" is a factor to be considered in Southeast Asia and can no longer be ignored.

While it is agreeable that Moscow had made great gains in Vietnam, we must not overlook the tensions between the two. This is caused by a number of factors: Soviet behaviour in Vietnam is detested, especially their enjoying privileges; there exist serious cultural problems; Vietnamese pride and independent-mindedness itself is also a source of friction; Soviet advisers have complained of Vietnamese corruption and inefficiency; there are disputes over amounts of aid; there are differences over Kampuchea. Hanoi wants Soviet aid to Kampuchea to go through Vietnam while Moscow prefers to deal directly with the Phnom Penh regime; Moscow also resents the frequent Vietnamese incursion into Thailand as this places Moscow in bad light; there is also Soviet unhappiness over Vietnam's lack of responsiveness to ASEAN and international resolutions over Kampuchea; there also appears to be Soviet frustrations over their inability to translate aid into influence; very often, Moscow's global objectives are not compatible with Vietnam's regional goals and finally, history itself has acted as a chiller of relations in view of past Soviet "betrayals." The failure of Moscow to recognise DRV in 1945, the fact that



the DRV was forced to sign the Geneva Agreements in 1954 and Brezhnev's reception of Nixon while the UN Navy and Airforce were busy mining Haiphong harbour. These bitter memories of the Soviets' lack of concern for Vietnamese fate partly accounts for the tremendous tension and friction between the two. This is not to suggest that the alliance is about to break up. Indeed, both parties need each other and will continue to need each other for a long time to come. Only that their relationship is not friction-free.

While it is clear that Moscow has made gains in Indochina, these have not been absolutely cost-free. By establishing an alliance with Vietnam, Moscow is now identified closely with a pariah state in the international system. For a superpower which is concerned with its image, Vietnam has certainly been more of a liability than an asset. Secondly, while Moscow has made gains in Indochina, these have been made at the expense of the ASEAN states. The non-communist states, with dynamic economies, high growth rates, rich in resources and in control of the strategic waterways have been alienated by Moscow's open support for Vietnam's aggression in the region. In this regard, Moscow has not only lost goodwill in the region but wasted its years of investments and efforts aimed at cultivating the ASEAN states. In global terms, the Soviet Union has become linked with aggression while in Afghanistan it is seen as a direct aggressor. In Kampuchea, its assistance of Vietnam's occupation of Kampuchea makes her a supporter of aggression and an indirect aggressor. In this regard, her regional policy vis-a-vis Vietnam has not benefitted her global aims vis-a-vis China and the USA. Instead of containing the growing influence of these powers in the region, the reverse has taken place. In this regard, while there is a clear Soviet gain in Indochina, there appears to be a definite loss of prestige in the non-communist region of Southeast Asia.

### **Soviet Union and ASEAN**

Soviet relations with ASEAN were largely a function of its foreign policy towards Southeast Asia. From 1945 to 1953, the region figured low in Soviet list of priorities largely because of Stalin's domestic pre-occupation and its Cold War in Europe. Changes were enunciated at the Nineteenth Party Congress but not implemented until the change of leadership in March 1953. Following this, there was a growth in warmth in general in Soviet Third-World relations. From 1954 to 1964, there were great changes in Soviet foreign policy. In Southeast Asia, Indonesia was targetted for special focus, leading to close Moscow-Jakarta relations from 1958 to 1962. Soviet-Indonesian relations deteriorated, largely due to the result of Moscow's displeasure with Jakarta's foreign and domestic policies, marking Moscow's first major failure in Southeast Asia.

The rise of the Brezhnev regime in late 1964, in many ways, marked a watershed in Soviet Southeast-Asian relations. The Soviet leadership shifted its attention away from insular Southeast Asia towards Indochina largely because of the American escalation of the war there and the intensification of the Sino-Soviet rivalry. In this context, how was ASEAN viewed from Moscow?<sup>19</sup> ASEAN's formation was condemned by the Soviet Union. This was because the Soviet Union viewed it in Cold War terms, as a US tool, in similar terms as SEATO. It saw the new organisation set up to prop up the ineffectual SEATO, to stop the march of socialism and where all the members had close relations with the Western capitalist states, especially the US. In fact, only two of ASEAN members had diplomatic relations with Moscow, namely Thailand and Indonesia. Of the two, Thailand was a US ally while Indonesia, under the Soeharto leadership, was overtly anti-communist. Malaysia, Singapore and the Philippines had no diplomatic relations with the Soviet Union and were, in their domestic and foreign policy outlooks, extremely anti-communist. In this context, cool Soviet-ASEAN relations were not surprising.

In broad terms, this hostility continued with only a slight change in emphasis in 1971. This slight modification was the result of changes in great power alignments involving the US, PRC and Great Britain as well as ASEAN's ZOPFAN (Zone of Peace, Freedom and Neutrality) proposal, which the Soviet Union saw as being in line with the Asian Collective Security System, first propounded by Brezhnev in June 1969. Following this, Soviet praise for ZOPFAN remained constant but not for ASEAN as an organisation. This position continued right up to June 1978. In mid-1978, for the first time, the Soviet Union noted that ASEAN was a regional organisation, set up in its own right and for the purposes stated. A number of factors explained the change in Soviet attitude. First, Moscow hoped to gain influence in the region and be a dialogue partner similar to the US, EEC, Japan, Canada, Australia and New Zealand. Second, the Soviets must have realised that ASEAN could not be wished away like SEATO and ASPAC because it was strong and successful. Third, the realisation that ASEAN was not a US "running dog" must be counted as another factor. Next, Moscow hoped to retard the growing PRC influence in the region. This was because, unlike the Soviet Union, the PRC recognised ASEAN, supported various ASEAN's initiatives and there were growing contacts between ASEAN and the PRC. The Soviet support for ASEAN at this juncture was also aimed at sanctioning and supporting the growing contacts between ASEAN and Hanoi. Finally, the change in Soviet posture towards ASEAN can be explained by the developments in Indochina. As a result of the growing conflicts between the DK and SRV and SRV and the

<sup>19</sup>See the writer's "The Soviet Union and ASEAN: Interests, Policies and Constraints," *The Indian Political Science Review*, Vol. 19, Nos. 1 & 2 (December 1984-January 1985); "Moscow's 'New Cold War' Against ASEAN," *Southeast Asian Affairs* 1980.



PRC, both Moscow and Hanoi began to court ASEAN, hoping to win the Association's support as well as expecting mellowed ASEAN reaction to Vietnam's membership of the COMECON, its Treaty of Friendship and Cooperation, its refugee policy and finally, its invasion of DK.

However, Soviet efforts to woo ASEAN did not pay off. Following the Soviet-supported Vietnamese invasion of Kampuchea, ASEAN in unison, condemned the invasion, blamed the Soviet Union as a bankroller of Vietnamese aggression, a political opportunist and exploiter. ASEAN also condemned both Vietnam and the Soviet Union with regard to the boat people issue. Finally, ASEAN mobilised international efforts against Soviet-Vietnamese policies on Kampuchea.

In general, Soviet-ASEAN relations have completed a full circle, with cool relations being the norm at present. In the main, two set of factors explain the general lack of Soviet success in the region. Firstly, it relates to the nature of ASEAN. Its anti-communism, pro-West, capitalist political and economic orientations, its endorsement of massive US, West European and Japanese presence and its acceptance of growing state-to-state relations with China and hence, a Chinese role in the region, have impeded Soviet success in the ASEAN region. The second factor relates to the general failure of Soviet objectives in the region. This refers to the rejection of the Asian Collective Security System, the opposition of its Kampuchea policies, its presence in Vietnam, its economic initiatives in the region and finally, its policies in the United Nations.

## THE PEOPLE'S REPUBLIC OF CHINA

As a major power, it has had the longest relations with Southeast Asia, dating back some 2000 years, beginning first with Vietnam, then southwards toward Java, Sumatra, the Malay peninsula, Cambodia, Thailand and Burma. This historical relations, where the Chinese "Middle Kingdom" viewed the "Nanyang Barbarians" as its vassals, have played an important role in the perceptions of the Chinese and Southeast Asians of China's potential and actual role as well as its intentions. In this regard, history has continued to colour present Sino-Southeast Asian relations, as it has not with the other major powers. Next, of all the major powers, China is in the best strategic position, because of its geographical proximity, traditional view of Southeast Asia as within its sphere of influence and its special assets in the region, to play a lasting role in the region. The Americans, Soviets and Japanese can come and go, but the Chinese will always be here.

The birth of Communist China coincided with the birth of a new Southeast

Asia, where countries in the region gained their independence from the European colonialists after the trauma of Japanese occupation. In short, a new China confronted a new Southeast Asia. In this regard, how did Sino-Southeast Asian relations progressed?

The dynamics of Chinese foreign policy towards Southeast Asia can best be elucidated by examining its foreign policy in stages. Chinese policies towards the region can be scrutinised in two broad stages: 1949-1969 and 1970 onwards, coinciding roughly with a Revolutionary China and a Pragmatic China. The study of Revolutionary China can be further fragmented into four phases.

### 1949-1953

The birth of the PRC introduced a new factor in Asian politics and balance of power as well as in the strategic global balance. Being born at the height of the Cold War, its emergence marked a serious political defeat for the US and hence a victory for the Soviet Union, even though the Chinese Revolution was home-grown. In this regard, China emerged as a militant socialist state bent on exporting revolution to the rest of the world, but focussed mainly on Southeast Asia and South Asia. This was expected in view of its successful revolutionary experiment. At this juncture, Beijing's policies and promulgations were in many ways carbon copies of the Soviets, even though prior to the 1949 Revolution, the Chinese communists had indicated differences, especially on Southeast Asia. For example, at Yenan, the Chinese Communists saw Southeast Asia as part of the developing world which was seen as an important force in international politics, where imperialist economic exploitation and political domination were to be opposed and national liberation struggles stoked and supported.<sup>20</sup> However, following the birth of the PRC in October 1949, she began seeing Southeast Asia, as an addendum to the developing countries, as only a minor ingredient in the world international system and playing literally no role at all in the East-West conflict, in line with Moscow's policies.

In Southeast Asia, Chinese policies included pushing forth revolutionary struggles against both the colonial governments in Malaya, Indochina as well as against bourgeois-led regimes in the newly independent states of Burma, Indonesia and the Philippines. Next, the Chinese push forth its model of revolutionary change with Soviet support and provided diplomatic, political and material support to Vietminh forces fighting the French in Vietnam and

<sup>20</sup>See Harry Harding, "China and the Third World: From Revolution to Containment," in Richard H. Solomon (eds.), *The China Factor: Sino-American Relations and the Global Scene* (New Jersey, Englewood Cliffs: Prentice-Hall, 1981), pp. 258-259.



general support for Communist Parties in Malaya, Thailand, the Philippines and Indonesia. A number of factors explained the hardline: first, this was expected of a successful revolutionary power. Second, the PRC was dependent on Soviet goodwill, aid and hospitality as shown in the Sino-Soviet Treaty of Friendship and Alliance. In this context, because the Chinese pursued a foreign policy of "lean to one side," its fuelling of revolutionary movements in Southeast Asia, in line with Moscow, was not surprising. Third, its isolation from the West, because of its Communism and later, its role in the Korean War, also explained the hardline posture. Finally, its attempts to retain the notion of monolith communism with Moscow as its Mecca. Therefore, she could not contradict Soviet policies then in vogue, especially its "two camps" theory, with no "third road" for the newly independent states. Burma, which was the first to recognise the PRC, not just from Southeast Asia but from the non-communist world, was condemned as an imperialist state. Vietnam welcomed the establishment of the PRC, for it gained a rear base to fight the French and later material, which was crucial in the French defeat. With the rest of Southeast Asia, hostile relations persisted.

### 1953-1957

During this phase, Chinese policies towards the region underwent a subtle change, marked by its return to pre-1949 position, where Southeast Asia was viewed as part of the Third World, which in turn was seen as an important force in world politics. It was also seen as having a distinct identity from the socialist and capitalist camps, which in reality, marked a break with Stalinist "two camps" model.<sup>21</sup> This phase was brought about by both internal and external developments, especially the Korean War, which led to massive disruptions in internal development and international isolation. In response to the awareness that theory and reality were starkly different and that there was no such thing as "two camps" and that the Third World was a reality, the Chinese made a break with the Stalinist model. This was reinforced by a number of developments. First, was India's mediation efforts in the Korean War. Second, Burmese and Indian refusal to participate in the San Francisco Conference on Peace with Japan, showed that small, newly independent countries were not necessarily neo-colonies of imperialist countries, that they did not always follow the US lead and that they did not join the West in an anti-China crusade. In the hope that others would also follow suit, the Chinese attempted to improve relations with other countries in the region.

The Chinese goals during this phase included weakening international, United Nations-imposed diplomatic isolation, over-coming Western-initiated,

<sup>21</sup>*Ibid.*, p. 261.

United Nations-endorsed economic embargo, breaking through US-imposed military encirclement in Southeast Asia through SEATO, encouraging Third World states to adopt policies of neutrality or non-alignment in East-West struggle as part of Beijing's goal of assuming leadership of the Afro-Asian movement and neutralising US policies in Southeast Asia, establishing relations with non-communist governments of the region, building PRC's political prestige and economic position and reducing Western influence in general.

Various policies were adopted in pursuit of these goals. The PRC launched political and economic offensives in order to improve relations with all Third World independent states. The Chinese adopted the five principles of peaceful co-existence. An agreement on Tibet was signed with India and trade agreements concluded with India, Burma and Indonesia. The Chinese participated actively at the Geneva Conferences on Korea and Indochina. The Chinese participated at the Bandung Conference, where attempts were made to extend the principles of peaceful co-existence to the Afro-Asian world. Finally, the PRC exhorted the Overseas Chinese in Southeast Asia to be good citizens in their countries of resident and Beijing dropped the *jus sanguinis* principle.

### 1958-1965

This marked a period of Chinese disenchantment with governments of the region and generally, the whole of the Third World. This was partly in response to Burma, Thailand and Malaya's hostility and lack of zeal in accommodating the PRC, the acutely strained relations with Jakarta from 1959-1960, the growing "cold war" between China and India over border issues and China's problems with the Middle East countries, especially with Nasser, over persecution of the communists and his hostility to the Iraqi Revolution. At the same time, the Chinese Government was disillusioned with its own intellectuals, who during the Hundred Flowers Movement of 1957 had condemned the Chinese Government and socialist policies, which to Beijing manifested the danger and unreliability of bourgeois elites at home and abroad. This aided in reinforcing the Chinese perceptions that the Afro-Asian and Non-aligned Movement may not necessarily mean a plus for China. Rather, it may be used by the West against China and the Socialist World.

The result of this was the adoption of a militant-ideological foreign policy and a more differentiated view of the region. In contrast to the pre-1957 period, where it welcomed the Non-Aligned Movement (NAM), where she hoped to breakthrough her political, military and diplomatic isolation, it now saw it as a prod for Western imperialism. Before 1957, she saw the Third



World as a bloc with which it may maintain good relations but now focussed its friendship with those whom Beijing saw as friendly or were aligned to it and those who opposed the US. In Southeast Asia, it meant friendship with Vietnam, Cambodia and Indonesia and opposition to the rest. This posture developed against the backdrop of increasing Sino-Soviet polemics with the dispute coming into the open in 1961.<sup>22</sup> Differences emerged over ideology, economy, political, military territory and leadership issues. It was thus not surprising that in contrast to the Soviet Union, the PRC saw the Third World as being controlled by bourgeois elites, where peaceful transition was impossible and being ripe for proletarian revolution. For the Soviet Union, the region was seen as an area of great opportunities and this time when she was attempting to expand its stakes in the Third World, shown by its ideological changes where ideas of National and Revolutionary Democracies, policy of "united front from above" and peaceful transition to power, were encouraged.

### Mid-1966-1969

In many ways, this was an extension and climax of the last phase. During this period, the PRC saw the US, USSR and most of Third World countries as hostile and reactionary, which had to be opposed. In Southeast Asia, she was friendly only with Vietnam, but beneath the overt warm relations were problems, as Vietnam was waging a war against the US but China adopted a course of self-destruction, leading to cuts in economic and military aid. During this phase, the Chinese increased support for the armed struggle by Maoist insurgents, believing that "power from the barrel of the gun" would result in the "people of the world surrounding the developed cities from the developing countryside."<sup>23</sup> This phase was marked by Chinese hostility towards the outside world, its diplomatic and political isolation and the grave political, economic and military damage inflicted to the country. This period came to an official end in April 1969 at the Ninth Congress of the CCP, which set in motion a chain of events which brought China to its present course of policies.

The new, pragmatic era in Chinese foreign policy was ushered in by a number of developments:

1. The Soviet invasion of Czechoslovakia in 1968 and with it the introduction of the doctrine of "limited sovereignty."
2. The growing military confrontation along the Sino-Soviet border culminating in the 1969 border war along the Ussuri River.

<sup>22</sup>See William E. Griffith, *Sino-Soviet Relations 1964-1965* (Cambridge, Mass.: MIT Press, 1967), pp. 3-57.

<sup>23</sup>Harry Harding, "China and the World," p. 264.

3. The US's military defeat in Vietnam as shown by the Tet Offensive and the broader strategic configuration brought about by Western countries lessening of their profile in the region as shown by the British withdrawal and the Nixon Doctrine.
4. The US re-assessment of its strategic and political relationship with the PRC which was to culminate in Nixon's visit to Beijing.

In the context of these changes, the PRC came to view the Soviet Union rather than the US as its principal strategic adversary. This meant that as far as PRC's Southeast Asia policy was concerned, it assumed an anti-Soviet rather than an anti-US character. It also led to policies which were more accommodating of established governments and focussed less on revolutionary movements. By this time too, China re-assessed the US role in the region. From 1945 to 1968, the PRC saw, by the combination of military alliances, political subversion and economic imperialism, the US as occupying an overlord position in international affairs and Southeast Asia. But changes soon forced a re-assessment of this perception. The US defeat in Vietnam and Indochina as a whole, the domestic problems caused by Watergate, leading to the decline of Executive power in relations to the Judiciary and Legislature as well as the rise of the Soviet Union, Western Europe and Japan, in relative terms, led to a change in the "correlation of forces." In short, it led the weakening of US power and influence. At the same time, Beijing saw the Soviet Union as the first socialist state which had degenerated into a revisionist society, becoming in the process, an imperialist power seeking world hegemony. In this context, the Chinese saw the Soviet Union taking advantage of US tragedy in Vietnam to increase its own strength, to narrow economic and technological gaps and to expand its military power.

The Chinese reading of the international situation, which had widespread ramifications for Southeast Asia was officially enunciated in April 1974 by Deng Hsiao Ping, then Vice Premier, in an address to the United Nations, called "the theory of three world."<sup>24</sup> The First World included the two superpowers contending for world hegemony, the Second World, the developed countries of Japan, Eastern and Western Europe and Oceania, which were seeking greater independence from the two superpowers and finally, the Third World, which included all the developing countries of Asia, Africa and Latin America, attempting to preserve their political independence and struggling for changes in the international economic, political, legal and military order that would facilitate modernisation and with China being included as a member despite its socialist credentials. The Three Worlds, were in Chinese view, brought about by:

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<sup>24</sup>*Ibid.*, p. 267-268.



1. Disintegration of the socialist camp caused by the Sino-Soviet rivalry;
2. Comparative weakening of the Western alliance due to the relative decline of US power;
3. Re-orientation of US foreign and defence policies from offensive to defensive, partly as a result of strategic nuclear parity; and
4. The evolution of the Soviet Union into a Socialist-Imperialist power that could compete effectively with the US for global hegemony.

In the light of the geo-political and strategic environment, the PRC called for "united front" regardless of domestic political and economic system. This meant less emphasis on national liberation movements in contrast to the Cultural Revolution period. This was necessary in order not to offend Third World governments, especially those that supported PRC's UN admission and partly in response to Beijing's realisation that militant policy did not benefit her but only caused alienation. However, there were limits in totally applying this stance in Southeast Asia, where the Chinese had conducted low level support to communist parties such as radio broadcasts and provided moral support. This was because if a total break is announced, it would encourage them to turn towards Vietnam and the USSR, in view of the continued domestic pressure within China not to relinquish its role as leader of the communist movement and its continued use as an instrument of state policy in order to prevent governments going overboard against the PRC as well as its continued use against hostile governments. This posture partly explains China's present dilemma with the ASEAN states.

In general, the post-1969 foreign policy of China can be examined in two phases: from 1971 to 1978 and since 1978. In the first phase, the PRC moderated its foreign policy stance, gaining admission to the UN and the Security Council. Beijing supported Third World and Southeast Asian demands for the New International Economic Order (NIEO), partly reflecting China's own emphasis on modernisation. In Southeast Asia, there was a gradual warming up of relations with the non-communist governments of Malaysia, Thailand, Singapore, the Philippines and Indonesia. The changes occurred in the context of dramatic regional transformation brought about by the fall of Indochina to communist forces and the withdrawal of US forces from mainland Southeast Asia. This, in consequences was to set in motion, the development of fissiparous tendencies between the communist allies because of differences in ideology, economic priorities, border disputes, national interests and ambitions and, was to climax in Vietnam's invasion of Kampuchea, China's "first lesson" on Vietnam and the Soviet acquisition of military bases in Vietnam. The second phase of Chinese foreign policy commenced from 1978 onwards, centred on the creation of a "united front" against the Soviet Union.

At the same time, there was a de-emphasis on the NIEO and economic issues but more on security aspects. This was because the Chinese saw the Soviet Union making great political and military inroads into the region a part of its world wide expansion. It saw the Soviet aim as being to weaken China and the US by expanding influence in the Third World in general and on China's periphery in particular. At the same time, Beijing saw Soviet tactics in the Third World changing from the use of economic and military aid, diplomatic support to subversion, and the use of proxies and direct invasion. It was in this regard that the PRC called for a "strategic united front" including the Second World, Third World and the US against the Soviet Union. In broad policy terms, China's policies involved:

1. The encouragement of individual and collective resistance to intervention by the Soviet Union and its proxies and the provision of assistance to victims of Soviet intervention.
2. The blocking of Soviet involvement in negotiations aimed at resolution of regional conflicts.
3. The support of Third World countries wanting to dissolve political and military relationship with the Soviet Union.
4. The support of US and European activities aimed at assisting countries that have been attacked and invaded by the Soviet Union or its proxies.<sup>25</sup>

Current Chinese policies in Southeast Asia have been shaped primarily by developments in Indochina. The variables that have influenced Chinese policies in the region include:

1. Communist victory in Indochina in April 1975.
2. The US defeat and withdrawal from mainland Southeast Asia leaving behind a great power vacuum in the region.
3. Vietnamese success in developing a special relationship with Laos at the expense of China.
4. Dispute between Vietnam and Kampuchea climaxing in the overthrow of Pol Pot in December 1978 and the installation of the Heng Samrin regime in January 1979.
5. Developing hostility between Beijing and Hanoi resulting in border skirmishes since 1978 as well as the limited war, that is, Chinese "lesson" and continuing tension at the border.
6. Growing Vietnamese dependency on the Soviet Union resulting in Hanoi's entry into COMECON in June 1978, its Treaty of Friendship and Co-operation in November 1978 and the granting of military facilities to the

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<sup>25</sup>*Ibid.*, p. 273.



Soviet Union since March 1979. The Soviet Union has become Vietnam's largest trading partner, depending on it totally for military supplies as well as for moral and political support.

7. Growing mutuality of interest between China and the USA on the one hand and between China and ASEAN on the other, resulting in co-ordination of efforts at the UN as well as some form of understanding in application of military pressure. Among others, direct Chinese pressure on Vietnam's northern border, China's support for subversion in Laos and Vietnam and the US-PRC-ASEAN support of Khmer resistance forces would constitute part of this understanding.

The PRC's goals in the region can be enumerated as follows:

*Strategic Goals:* (a) To see the removal of Soviet support for Vietnam in all fields; (b) To ensure the dismantling of the Soviet-Vietnamese alliance and the removal of the bases; (c) To ensure that Indochina is not dominated by one political entity. In this regard, it is against an Indochinese Confederation; (d) It likes to see the expansion of the Soviet Pacific Fleet in the region checked. In this regard, it welcomes the expansion of the American naval power in the region as well as support the presence of American bases in the Philippines; (e) To neutralise the Soviet military encirclement in the region. In this regard, it would like to breakthrough the encirclement in South China Sea.

*Political Goals:* (a) It likes to play a dominant role in the region; (b) It likes to see an independent Kampuchea and one not dominated by any power, least of all Vietnam; (c) It likes to see ASEAN remain friendly with China but at the same time, on antagonistic terms with Vietnam and the Soviet Union; (d) It opposes the development of ASEAN into a military bloc; (e) It favours the removal of the fear of China in the region.

*Economic Goals:* (a) It aims to increase trade relations with ASEAN; (b) It wants to gain access to technology and resources of the region to assist its Four Modernisations.

*Ideology Goals:* It wants the communist parties to remain pro-China and ensure that Vietnam and the Soviet Union does not make any headway in gaining their favour.

### **China and the Kampuchean Imbrolio**

The PRC feels that Hanoi had long harboured ambition of domination of Kampuchea. The issues of boundary are thus mere excuses used by Vietnam to justify its invasion. In Chinese thinking, the Vietnamese had always had hegemonic ideas over Indochina ever since Ho Chi Minh founded the Indo-chinese Communist Party in 1930. And after Kampuchea, Chinese propa-

ganda warned that the next target would be the rest of Southeast Asia. In this regard, Beijing feared the growing convergence of interests of the two great "hegemonic powers," that is, Vietnam and the USSR. In this context, the USSR is seen as already having taken advantage of US defeat in Vietnam and subsequent withdrawal to gain domination of the region through its Vietnamese proxy. And as the Soviet goal is global domination, Kampuchea, followed by Afghanistan, are seen as the first salvos of this objective. The Chinese feared that the Soviet would ultimately be successful in extending their influence from the Indian to the Pacific Ocean and hence be in a position to threaten and dominate countries, including China, of the Asia-Pacific region.

The PRC's goal is therefore to rollback the Soviet-Vietnamese presence in Kampuchea and ensure the emergence of a neutral and non-aligned independent Kampuchea. Many scholars and countries believe that Vietnam can be drawn away from the Soviet Union through aid. Peking, however, argued otherwise. The Chinese claimed that they gave substantial aid to the Vietnamese during their war with the Americans and as gratitude, they are "stabbed" in the back. Thus, aid would only improve its economic position and raise its moral but not reverse its position. Hence, China does not subscribe to the aid strategy but believes in the policy of attrition, that is, to bleed Vietnam to death by political, diplomatic, military and other pressures.

While both ASEAN and the PRC agreed that Vietnam is the aggressor in Kampuchea, there are disagreements over other related issues. For instance, ASEAN wants a political solution but the PRC wants to bleed it to death; ASEAN does not want to appear to be towing the PRC line; and after the withdrawal of Vietnamese forces, ASEAN wants the Khmer Rouge removed but not the Chinese. At the same time Sino-ASEAN relations are troubled by five other issues:

1. PRC's support for insurgency movements in the region.
2. Differences over PRC's position on the Overseas Chinese in the region.
3. Concern over Chinese territorial claims in the South China Sea.
4. Wariness over China's "Four Modernisations."
5. Wariness over the growing relations between the PRC and the US, especially in the development of a strategic partnership.

## JAPAN

In Asia, especially in Southeast Asia, Japan, was therefore in the Second World War, seen as a positive, enlightening force. This was due to its successful modernisation following the Meiji Restoration, its ability to ward off Western encroachment, its ability to be accepted on equal terms with the West.



and its successful defeat of Tsarsit Russia in 1905, the first defeat of a Western power by an Eastern state. This acted as a catalyst for nationalist movements throughout Asia which saw Japan worth emulating. Hence, at the beginning of the Second World War in Asia, Japan was welcomed as a "liberator," behind the slogan "Asia for Asians." However, all went sour as a result of the ruthlessness of the Japanese Military Administration in all the countries occupied by Japan. In this regard, these countries welcomed Japan's surrender. Despite this experience, Japan's invasion changed Southeast Asian political and psychological map and the aspirations of the people, ignited by the Japanese success, which blew a hole in the myth of white Man's invincibility, and which meant that the returning colonial powers could not ignore the nationalist demands. In this context, Japan's positive role in the process of decolonisation cannot be ignored. However, the emotional scars of the harsh treatment of its people by the Japanese have continued to be a factor in Japanese-Southeast Asian relations and is a factor which Tokyo cannot discount.

Following the war, Japan's two overarching goals were to cope with the massive problems associated with defeat, loss of empire and lack of consensus on the direction of national development and the imperative of commerce and trade, which involved a ceaseless search for raw materials and energy resources as well as markets for manufactured goods.

From the Japanese perspective, Southeast Asia is important because of the following reasons:

1. Southeast Asia's proximity to Japan and its long historical ties, where Japan shares basic values of their political and economic systems, assume as an Asian nation, common responsibilities for stability and prosperity.
2. The increasing importance, politically, and strategically of the non-communist, West-leaning ASEAN states.
3. The presence of resource rich and rapidly developing ASEAN as a viable economic partner.
4. The geographic and strategic significance of the region in view of its control of the various straits and waterways.
5. The growing importance of ASEAN as an international political force.

In this context, Japan's goals in Southeast Asia can be enumerated as follows:

1. To gain access to resources and markets of the region.
2. To ensure free passage and security of the sealanes.
3. To ensure stability of the region and prevent developments which could be detrimental to the political and economic livelihood of Japan.

Since 1945, Japan's relations with Southeast Asia can be examined in three phases. The first phase, from the end of the Second World War to the mid-1960s, which marked a period where policies were characterised by a low key-passive foreign policy posture. Japan was pre-occupied with the resolution of post-war issues and its low key in Southeast Asia was also the result of its past military adventurism and subsequent defeat there. The second phase, from mid-1960s to mid-1970s, was a period of extensive Japan's economic relations with the countries of the region. Her own successful economic growth made her the largest donor in the region. The last phase, since the mid-1970s, represented a period of increase political co-operation with the object of ensuring regional peace and stability. The continuing tensions in Indochina since April 1975 and Japan's emergence as a responsible member of the international community, caused her to assume greater responsibilities both politically and economically.

Her post-war primary tasks to revive her collapsed economy, to restore normal relations with the Allied powers and to return to the family of nation as a peace-loving nation. Economically, she picked up fast and this was assisted by US economic assistance, and by the special requirements of US forces in the Korean War. This assisted in restoring industrial production capacities to prewar levels but its GNP was still one-twentieth of the US; the slogan during this period was "export or die." During this period, the issue with the countries of Southeast Asia was over reparation payments: The four countries which received the largest reparations were Burma, Indonesia, Vietnam and the Philippines. In many instances Tokyo extended grants in lieu of reparations. Nevertheless, this placed heavy pressure on Japan's economy. Reparation payments were to last until 1977. This, however, did not subside the controversy surrounding these payments. Firstly, there was the question of how much ought to be paid and in many countries, instead of reparations these were referred to as "blood money" and where no amount of money could repay the damage done by Japanese atrocities. Secondly, the question of reparations raised memories of Japan's brutalities in the region and this did not in any way helped Japan's image in the region. Finally, reparations, in the long-run served Japan's interests, for it assisted Japanese private firms in establishing footholds in the region. In this regard, reparations were seen as self-serving programmes and by the 1960s, Japan had a tight grip on Southeast Asian markets.

Tokyo's foreign policy towards Southeast Asia in the 1950s and early 1960s was passive and largely economic-oriented. This was the result of:

1. A sense of guilt towards Southeast Asian countries over damage and suffering caused by the war.
2. The pre-occupation with negotiations and implementation of reparations and quasi-reparations.



3. Its economic-first policy and view of non-involvement in other countries affairs.
4. Its weak economic strength and low status in the international community.

Over and above these factors, the government was pre-occupied with post-war issues such as the revision of security arrangements with the US (1960), normalisation of relations with Korea (1965) and the reversion of Bonin (1962) and Okinawa (1971) islands. While Japanese Prime Ministers did pay goodwill visits to Southeast Asia, for example, Kishi in 1957, Ikeda in 1963 and Sato in 1967, their main subject of concern was reparations and economic co-operation. The maintenance of low political profile was also partly in response to Japanese public demand that the country should not play a major role in world affairs and that it should focus its energies on domestic problems, mainly concerned with improving the standard of living and welfare.

By 1960, Japan's GNP was half of the United States. However, because of Japan's economic weakness relative to the West, its record of economic co-operation was not outstanding in the 1960s, except possibly for export credits by the Export-Import Bank and small scale technology co-operation. This was accounted for by the government's lack of financial resources, the foreign exchange restraints which discouraged private sector investments abroad and the general Southeast Asian cautiousness of foreign investments in a rising tide of nationalism.

The situation, however, changed with Japan's phenomenal economic growth, making her the second largest free market economy in the world. This is clearly seen in the three areas of trade, economic aid and investments.<sup>26</sup> In trade, ASEAN has become Japan's second largest trading partner after the US. Ten per cent of Japan's exports are to ASEAN. On the other hand, Japan shares between 30 and 35 per cent of ASEAN's total trade, higher than any other country. In economic aid, ASEAN is the largest recipient of Japan's Official Development Assistance. It is also the second largest recipient of Japan's overseas private investments after the US. The cumulative ODA to ASEAN from 1960 to 1979 amounted to US\$4.1 billion or 37.6 per cent of the total ODA. ASEAN is also the second largest recipient of Japanese investments after the US. It received US\$6.6 billion of its US\$34 billion investments. In the ASEAN countries, Japan is the largest investor, accounting for 44 per cent of the total investments.

Japanese-Southeast Asian cultural relations have been negligible. Despite geographical and cultural commonalities, differences in language, religion,

<sup>26</sup>See Willard H. Elsbree, "Japan and ASEAN in the 1980s: Problems and Prospects," *Southeast Asian Affairs 1981* (Singapore: Institute of Southeast Asian Studies), pp. 50-57; Lim Hua Sing, "Japan and ASEAN: Potential Trade Frictions," *ASEAN Economic Bulletin*, Vol. 1, No. 2 (November 1984), pp. 115-135.

traditions, customs and economic development have kept them apart. It was only following the riots associated with Tanaka's visit to Southeast Asia in 1974 that Japan initiated moves to reach Southeast Asian culturally. This was attempted through the following programmes: Students and Youth Exchange Programme; Japan Foundation Projects; Japan-ASEAN Youth Ship; ASEAN Cultural Fund; ASEAN Scholarship Programme for the Youth; Educational and Cultural Grant Aid Programme and the ASEAN Areal Studies Programme.

It has been in the political arena that Japan has begun to incrementally play a role in commensurate with its economic status. In many ways, its economic success forced it to move away from "Japan Incorporated" and to take political and even military responsibilities. It was also partly because even though Japan was and, is regarded as part of the North-OECD group, geographically, culturally and even emotionally, it is seen as an integral part of East Asia. It was also in response to the changing power alignments, brought about most clearly by the various "shokkus." Since 1945, especially since 1951, the US has been the cornerstone of Japan's economic and foreign policy. However, Japan felt being let down when it was not consulted by the US for its normalisation of relations with China and hurt by the forced devaluation of its yen. At the same time, since 1975, the US has been pressurising Japan to play a bigger political and military role in the region. Tanaka's visit to the region in 1974 was a manifestation of intention to assume a bigger role in the region. The manifest objects of the visit were:

1. To impress leaders that Japan regarded relations with ASEAN as the mainstay of its diplomacy.
2. To develop and strengthen good neighbourly relations.
3. To remove bilateral problems.
4. To explain Japan's lack of desire to dominate the region economically.
5. To explore appropriate regional co-operation measures.
6. To examine qualitative and quantitative improvement in Japan's economic co-operation with ASEAN.<sup>27</sup>

But what Tanaka experienced in Bangkok and Jakarta shocked him and the Japanese nation as a whole. He did not realise that there was so much latent hostility towards Japan in Southeast Asia. This awareness was to influence Japanese leaders to be more active in the region and Japan-Southeast Asian relations were never the same again. Together with developments in Indochina, it was largely responsible for a more forthright policy towards

<sup>27</sup>See Alan Rix, "ASEAN and Japan: More than Economic" in Alison Broinowski (edn.), *Understanding ASEAN* (London: MacMillan Press, 1982), pp. 181-183.



Southeast Asia, especially ASEAN. This led directly to Fukuda's visit to Southeast Asia and on 18th August 1977 and the announcement of Japan's "three pillars" towards Southeast Asia, often called the Fukuda Doctrine, in Manila. It expressed the view that:

1. Japan rejects the role of a military power and seeks the peace and prosperity of Southeast Asia.
2. Japan wants a relationship of mutual confidence and trust based on heart to heart understanding.
3. Japan is an equal partner of ASEAN countries and will co-operate positively in their own efforts, while aiming at a relationship of mutual understanding with Indochina.<sup>28</sup>

In this context, Tokyo indicated her willingness to play a role of mediator between ASEAN and Indochina following the emergence of the two camps in Southeast Asia since 1975. In this role, Japan was well placed in view of the fact that it was on talking terms with both regions. There was also the question of mutual benefit as Hanoi needed Japan's aid and technology while Tokyo was eyeing Indochina as a market. In order to realise, in part, the Fukuda Doctrine, Tokyo announced a US\$1 billion in aid for industrial development in the ASEAN region. It also announced a feasibility study of STABEX in order to stabilise ASEAN's export income from the sale of primary products to Japan. Its growing political profile is also indicated by its floating of the Pacific Community concept, aimed at rationalising economic and political co-operation in the Asia-Pacific region. However, ASEAN's response, due largely to suspicions of Japanese intentions, has been rather lukewarm.

The basic plank of Japan's policy towards Southeast Asia has remained generally unchanged as shown in Suzuki's four point policy towards the region announced in 1981:

1. Japan will not try to become a military power but will endeavour to contribute to Asian peace and stability in a manner commensurate with its national strength and international status.
2. Japan will strive to establish mature relations with ASEAN in the spirit of "thinking" together and working together.
3. In economic co-operation with ASEAN, priority will be placed on rural development and the promotion of agriculture, energy sources human resources and small and medium-sized enterprises.
4. Japan will work together with ASEAN countries toward the settlement of

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<sup>28</sup>Koji Watanabe, "Japan and Southeast Asia 1980," *Asia Pacific Community*, No. 10 (a) (Fall 1980), p. 88.

the Kampuchean problem and once peace has been restored in Indochina, Japan will co-operate in the reconstruction of this area.<sup>29</sup>

Despite the important economic role and political support rendered to ASEAN countries, Tokyo's relations with Southeast Asia, especially ASEAN are disturbed by various problems over; tariff and quota policies; non-tariff barriers; closed markets; neo-colonial economic relationship; terms of trade problems; stringed loans; trade and investment policies; management policies; co-operation with the local Overseas Chinese; pollution-oriented industries; and failure to ensure the stability of ASEAN's primary produce income. There are also problems pertaining to the growing co-operation between the US, China and Japan and the attempts to persuade Japan to play a larger military role in the region. This is largely by the US in order to check the Soviet Union. The two American request, that Japan should speed its pace of defence expenditure and that the SDF should assume responsibilities for patrolling air-sealanes up to 1.000 nautical miles from Tokyo Bay, have not been well received by most countries in the region. This partly stems from the belief that increased Japanese militarisation would upset the balance of power in the region, increase tensions with the Soviet Union and arouse ASEAN's suspicions of Tokyo's intentions.

## SINGAPORE AND THE ROLE OF GREAT POWERS IN SOUTHEAST ASIA: PRESENT AND FUTURE

How a country, especially a small one, relates with the great powers, is highly conditioned by its national needs, pre-eminently the demands for internal and external security. Being a small island state, almost devoid of any natural resources, totally dependent on international trade and constrained by geographical and demographic factors, the Republic has, since independence in 1965, supported the maintenance of the status quo, which has hitherto benefitted her development and security. Since it is unable to prevent the entry of the other powers, large or small, Singapore has advocated a balance of power strategy for regional peace. This is well elucidated by S. Rajaratnam, the former Foreign Minister:

We accept the existence of great powers and their rivalries as an immutable fact of international life.... We do not subscribe to the prevailing belief that great powers are necessarily wicked, dangerous and immoral. They are no more these than are small nations. Since we cannot wish away great power rivalries in the region, then, in Singapore's view, the next best thing for small nations is the presence of all great powers.... When there is a multiplicity of sums, the gravitational pull of each is not only weakened but also, by a judicious use of the pulls and counter-pulls of gravitational forces, the minor planets have greater freedom of navigation.<sup>30</sup>

<sup>29</sup>Cited in 5 Negai, "Japan's Policies Towards Southeast Asia." Paper presented at the Department of International Relations, Australian National University on 13 May 1982, pp. 1-2.

<sup>30</sup>Cited in Lee Khoo Choy, "Foreign Policy," in C.V. Devan Nair (eds.), *Socialism that Works.... The Singapore Way* (Singapore: Federal Publication, 1976), p. 110.



With the presence of all the great powers in the region, the Republic leaders believe that the chances of survival of Singapore would be that much greater. In pursuance of this strategy, the Republic has adopted an "open door policy" as far as the major powers are concerned, especially in the area of economic relations. This is based on the assumption that with all the great powers having a tangible stake in Singapore's prosperity and independence, the less would be the likelihood of the great powers wanting to see the Republic destabilised or conquered as this would represent a loss for all concerned.

Against this backdrop, the Republic views with alarm the emergence of the Soviet Union as a dominant great power in the region. While its presence in the past was largely ethereal it has now a physical presence in Southeast Asia as well as dominant influence in Indochina. This is largely necessitated by its aspirations for world leadership and the Sino-Soviet rivalry.<sup>31</sup> The Republic does not want to see the establishment of *Pox Sovietica* because the Western capitalist-free market system has favoured her. Equally disturbing has been the Soviet willingness to support turbulence in the region as shown by its assistance for Vietnam's invasion and occupation of Kampuchea as well as Hanoi's war against the Khmer resistance forces. Moscow's support for Hanoi is not motivated by its support of Vietnam's dreams and ambitions in Indochina but more to contain the expansion of Chinese influence in the region.<sup>32</sup> By successfully filling the great power vacuum in Indochina and gaining dominant influence as well as successfully fuelling Sino-Vietnamese hostilities, the Chinese southern border has been destabilised and resources diverted from other modernisation purposes. The Kampuchean conflict, which is seen as a major source of instability in the region, Moscow's support for Vietnam's policies as well as its acquisition of military facilities in Vietnam, have caused it to be seen as a major threat to the region.<sup>33</sup> It is as a result of these developments that there is a perception among Singapore leaders that the balance of power in Southeast Asia has tilted (or is tilting) in favour of the Soviet-Vietnamese camp. It is due to this perception that the Republic has welcomed the higher profile of the other three great powers in the region.

In addition to persuading the US to increase its economic relations, the Republic has attempted to persuade the Americans to increase their military role in Southeast Asia. This is because only the US is seen to be in a position to act as a counterweight to the growing expansion of the Soviet military and

<sup>31</sup>See *From Phnom Penh to Kabul* (Singapore: Ministry of Foreign Affairs, September 1980), pp. 28 and 35.

<sup>32</sup>See S. Rajaratnam's speech, "Vietnam and the Elephant Problems," to the National Press Club of Malaysia, Lake Club, Kuala Lumpur, Malaysia, 29 June 1980. Printed in *Speeches* (Singapore: Ministry of Culture), Vol. 4, No. 1 (July 1980), p. 24.

<sup>33</sup>See S. Dhanabalan's interview with *Asiaweek's* Assistant Managing Editor, Wayne Morrison, printed in *The Mirror* (Singapore) 15 April 1981, p. 8.

political influence in the region. In this context, the Singapore Prime Minister has even called for a separate American fleet for Pacific and Indian Oceans.<sup>34</sup>

Notwithstanding the fact that China is sensitively viewed in the region, the Republic has in general terms, welcomed its constructive role in Southeast Asia. It realises that Beijing's support for ASEAN has been caused by its problems with the Soviet Union and Vietnam. It also realises that China's support for the guerilla movements in ASEAN countries and its policies towards the Overseas Chinese are resented by governments of the region. Despite this, PRC's confrontation policy towards Vietnam is welcomed as a short term respite. In this context, China's "Limited War" against Vietnam in February-March 1979 was welcomed as it provided breathing space for the ASEAN countries, especially Thailand.<sup>35</sup> More important, Chinese aggressive policies towards Vietnam have successfully checkmated Vietnam's advance southward and relieved pressure on Thailand, ASEAN's frontline state. In this regard, the Republic does not subscribe to the view that China is the immediate threat to the security of ASEAN's states. While great powers have tendencies to dominate smaller and weaker states, China at present, is seen as a lesser danger. This is because of her lack of military and economic wherewithal to pose a threat compared to the Soviet Union. In the Prime Minister's words, "for twenty years and probably more, China will not have the industrial muscle to be a threat to the region."<sup>36</sup> However, this is not to discount the Chinese danger altogether: as a large and highly populated Asian state and because of its communist ideology, its potential danger cannot be ruled out.<sup>37</sup> As far as Japan is concerned, it has been reluctant to play an active political and military role commensurate with its economic power. While the Republic welcomed a greater economic role, especially in the area of more investments, financial assistance, transfer of technology and skills and the opening of Japanese markets, in view of the rapid expansion of Soviet military power in Southeast Asia, the Republic has urged Japan to contribute more in military terms to ensure regional peace. This is not to induce her to be a protector of Southeast Asia. Rather, it is aimed at persuading her to take up responsibilities of patrolling the sea and air lanes around Japan so as to free American forces for

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<sup>34</sup>See Lee Kuan Yew's interview with Lester Tanzer, Managing Editor of *The US News and World Report* on 7 December 1981. See *Singapore Government Press Release* (Singapore: Ministry of Culture), 02-1/82/02/01, p. 5.

<sup>35</sup>See Lee Kuan Yew's speech at The Commonwealth Heads of Government Meeting in Melbourne, Australia on 1 October 1981. Printed in *Speeches*, Vol. 5, No. 5 (November 1981), p. 13.

<sup>36</sup>See Lee Kuan Yew's interview with Kazuo Nishi, Managing Editor of *Mainichi Shimbun* at the Istana, Singapore on 12 September. Printed in *Speeches*, Vol. 4, No. 4 (October 1980), p. 5.

<sup>37</sup>See S. Dhanabalan's interview with *Asiaweek's* Associate editor and correspondent Assif Shemear on 11 March 1980. Printed in *Speeches*, Vol. 3, No. 10 (April 1980), p. 106.



deployment elsewhere in the region, especially for checkmating the Soviet presence in the Asia-Pacific region.<sup>38</sup>

## FUTURE PROSPECTS

The volatile nature of international relations and the unpredictable character of great power policies make it difficult to postulate the future behaviour of the great powers. As far as the Soviet Union is concerned, its presence in the region would have to be accepted as a stark reality. But exactly how Soviet presence is accepted would be conditioned by its behaviour, especially in Indochina in refraining the Vietnamese from attacking Thailand, in assisting the resolution of the Kampuchean problem and how Soviet military presence in Vietnam is projected. A constructive Soviet role in Southeast Asia is certainly welcomed, especially in assisting the peaceful co-existence between Indochina and ASEAN and in limiting the expansion of the Sino-Soviet conflict in the region. In short, acceptance of the Soviet presence in the region would be dependent on how Moscow uses its power and how it presents itself as a trustworthy and respectable member of the family of nations in Southeast Asia.

The Chinese can be expected to play a bigger role in the region, both economically and politically. In the foreseeable future, as long as the Kampuchean problem continues and the Soviet presence remains unaltered, the PRC can play a crucial role in countering the further expansion of Soviet-Vietnamese power in the region. With its on-going "four modernisations," its economic role in the region, by way of markets for ASEAN goods and the transfer of technology, can be perceptibly increased. However, its policies towards the local communist parties, Overseas Chinese and the on-going conflict in Indochina, especially its policy of "bleeding" Vietnam, would continue to be major issues and hence retard its full acceptance in the region. The opportunities for constructive relations and its role in enhancing stability in Southeast Asia are there but how Beijing behaves, especially in the post-Deng period would be a crucial factor of its future role in Southeast Asia.

Japan's present economic position in ASEAN would remain unaltered and indeed, it may even be enhanced further. At the same time, its political and military relations would be expanded but how and under what circumstances these are undertaken would determine the state of future Japan-Southeast

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<sup>38</sup>See Lee Kuan Yew's interview with Kensaku Shirai, Foreign Editor, *Asahi Shimbun* and Chief correspondent (Asian General Bureau), Teruo Kunngi at the Istana Annexe, 5 January 1981. Printed in *ibid.*, Vol. 4, No. 8, February 1981, p. 19; *The Straits Times* (Singapore), 1 November 1980).

Asian relations. The need for greater understanding and even consultations would go a long way in playing down the fears of Japan's militarisation and imperialist intentions toward Southeast Asia. Its contributive role in the development of ASEAN's growth and unity can be tremendously increased by a more sensitive and cautious approach to the region.

The US can be expected to continue playing a major economic, political and military role in Southeast Asia. Its support for ASEAN and the regimes in the region would remain unaltered. Its military relationship, especially its assistance to the security of the Philippines and Thailand, the continued presence at Clark and Subic and its agreement to continue supplying arms to ASEAN countries can be expected to flourish, less domestic opinion shifts drastically towards isolationism. The US has a major role to play in checking the expansion of the Soviet Union as well as ensuring that its co-operation with China does not harm the economic, military or political interests of the ASEAN states. At the same time, its opening to China should be undertaken with regard to the sensitivities of the region and possibly with consultations with ASEAN countries. It has a major role to play in the resolution of the Kampuchean problem, especially with its great economic power and political influence which can reduce Vietnam's dependency on the Soviet Union as well as ensure that an independent and peaceful Vietnam is not endangered by its delinking with the Soviet Union. In the final analysis, Southeast Asia is big enough for all the major powers and all have a constructive role to play. However, any attempt to be dominant is bound to create instability and the net result would be a loss for all within the region and those from without with interests in Southeast Asia.



# Towards a Shared View on the Future of Southeast Asia

Sabam SIAGIAN

How we view the future of our region based on our perceived national interests will very much determine the conceptual framework we devise in our efforts to seek a solution to the Kampuchean problem. It also influences the sense of urgency that motivates us to establish a working peace in Southeast Asia whether we think we should work very hard to solve the Kampuchean conflict, or acquiesce the present, seemingly stable conflict since in our estimation a prolonged conflict does not affect our national interests too negatively.

To place our discussion on the Kampuchean conflict in a wider context by posing the basic question: what kind of Southeast Asia do we envisage that would be conducive to the strategic interests of our countries, hopefully will prevent our discussions from getting bogged down in a quagmire caused by opposing views.

There are those among us who view Vietnam's military intervention into Kampuchea at the end of 1978 not only as a gross violation of international law but also as a dangerous precedent of establishing new regimes by military means in Southeast Asia.

On the other hand, some of us entertain a more understanding view on the strategic reasoning that compelled the Vietnamese to move into Kampuchea. I remember a conversation with a Vietnamese editor who was also member of the Central Committee of the Vietnamese Communist Party. "Look at this wall map. Vietnam is like a crooked banana, it has no geographical depth which means it has to be constantly aware of its perennial geopolitical

weakness." The move into Kampuchea, we were told, after heated debates within the Political Bureau and the Party's military Committee, was to establish once and for all, a secure strategic flank in Kampuchea.

Vietnam's military intervention into Kampuchea, although launched for its own strategic purposes, produced a significant humanitarian event as a side-effect: the liberation of millions of Kampuchean from a regime so primitive in its application of political violence based on a crude theory of an ideal society. I think it is good to remind ourselves of this sobering piece of historical irony.

I hope, we agree among ourselves, that it is far more important to discuss seriously the futures of our countries and of our region as a whole, rather than allowing ourselves to get bogged down in an emotional quagmire if we become captives of the sanctities of international law or are transfixed by the noble deeds and selfless actions of the Vietnamese in Kampuchea.

Indonesians these days like to talk, sometimes lightheartedly but occasionally with an eschatological fervour, about the approaching stage in their country's development when it enters the take-off stage. In essence, what it implies is a determined attitude of a nation that by the year 2001 will number roughly 215 million to shed off its pre-industrial stage.

Indonesia's geographical character is significantly unique, it is the largest archipelagic state in the world. Perhaps, Sir Stamford Raffles had already envisioned the vast strategic implications if and when this string of islands straddling the equator transform themselves into a working political entity. That's why he decided to trade off Bengkulu with a small island off Johore and established Singapore in 1819.

As Indonesia moves in stages of planned development towards the take-off stage with the possibility of increased centrifugal trends, in the initial stages of full modernity, precisely because of its archipelagic nature with a rich ethnological variety and the demographic shifts towards a society with young people in the majority, the necessity to establish a secure and conducive geopolitical environment becomes imperative.

In other words, as Indonesia moves forward in its historical long march to become a modern and respectable nation, it also requires as a strategic ingredient in order to increase the possibility of that vision, a more cohesive and autonomous region in short, a respectable Southeast Asia.

Consequently, a conflict that keeps festering the regional situation, like the Kampuchean conflict, to the point that it might escalate the involvement of ex-



ternal powers and creates a fragmentary Southeast Asia, is contradictory to the strategic requirements of a developing Indonesia.

It is not only China per se that Indonesia is concerned about, less a fragmentary Southeast Asia will be too tempting for that Asian power to assert itself more visibly after achieving a respectable level of success with its modernisation efforts. Any external power for that matter that is compelled to increase its involvement in Southeast Asia as a result of a prolonged Kampuchean conflict would inevitably mean less room for maneuver for a developing Indonesia.

A China that is increasingly successful with its modernisation efforts and a growing capability to project itself in various sectors of economic and trade activities in Southeast Asia, especially with Hong Kong more directly controlled by 1997, will gradually also acquire a more effective political influence. Even now, the high frequency of political and military bilateral consultations between Bangkok and Beijing, facilitated by direct flights between the two capitals indicates the growing influence of China in ASEAN's so-called front-line state.

China recently becomes the biggest importer of Thailand's rice that becomes more significant in the light of declining rice export earnings.

The urgency to find a workable solution to the Kampuchean conflict that will speed up the efforts to forge a more cohesive Southeast Asia is not meant from the outset to establish an anti China bloc for an anti Soviet Union bloc, towards the end of this century. It does mean, however, that an effective co-operation between ASEAN members, Vietnam, Laos and an acceptable, recognised Kampuchea will speed up the emergence of a Southeast Asia, more cohesive and respectable, that will reduce the presence of external powers.

It also means, hopefully, a Southeast Asia that becomes more attractive as trading partners and offers an attractive climate for longterm investment.

Tough problems are still facing us: to seek ways and means that will facilitate a workable and acceptable solution in Kampuchea.

If we read carefully all the concepts and proposals that have been tabled so far: the Coalition's eight points supported by ASEAN, Vietnam's five points or options and the two aspects of a political solution as included in the communique of the twelfth conference of ministers for foreign affairs of Kampuchea, Laos and Vietnam, Foreign Minister Mochtar's twelve points, and, let's not forget: China's three conditions for normalisation of relations with the Soviet

Union, the basic issue clearly is: who will control Kampuchea? Or, whether to accept the present de facto situation with perhaps some political cosmetics added?

It is my view, bordering to conviction, that any solution to the Kampuchean conflict that does not take the existence of the Hengsamrin regime seriously, in the sense that the regime in Phnom Penh will be the important cornerstone during the initial stage of an overall solution, will never be acceptable to Vietnam.

After all, Vietnam has achieved a secure strategic flank by pacifying Kampuchea and supporting a (so far) dependable government -- why should she give up an asset that is of utmost importance for her national security. Discussions on cost efficiency regarding matters of national security basically are irrelevant.

Another reason, why I think it is realistic to formulate an overall solution to the Kampuchean conflict by including the Hengsamrin regime as an important cornerstone, is that in my view, shared by observers, it is a working administrative system, concerned about the welfare of the majority of the Kampucheans.

Last February, I was invited to attend a review session of church-related relief and development assistance activities in Kampuchea sponsored jointly, by the World Council of Churches and the Asian Christian Council. In the reports presented by persons in charge of all sorts of programmes related to relief work and development assistance in Kampuchea, and in my conversations with them, I got the impression that they are quite impressed with the dedication, if not always accompanied by technical competence, shown by members of the Hengsamrin regime to rehabilitate the social economic life of the Kampuchean people.

We all know by now, the Kampuchean conflict is a multifaceted international problem with a number of actors on different levels. But I think, it is helpful to limit our view just for a while and look into the conflict as a function of competing security interests (also economic interests) between Thailand and Vietnam. As such, the conflict on Kampuchea is not a new one, it has always been there, certainly since roughly 200 years ago. To illustrate that point, let me read to you an interesting passage from David Chandler's *History of Cambodia*: p. 115.

A glimpse of that historical background helps us to maintain our sense of realism as consumers of political rhetorics emanating either from Hanoi or



Bangkok. Of course, to save Kampuchians from total genocide was not the main motivation why the Politbureau and the Military Committee of the Vietnamese Communist Party decided to send divisions of combat troops crossing the border into Kampuchea. It was a bonus welcomed by those who care as a side product of a high level strategic decision to neutralise the Pol Pot threat, supported by the Chinese, and to establish a secure flank.

In the process, Vietnamese troops approached the borders of the Kingdom of Thailand. The shocking thing is not that Vietnamese troops since 1979 can invade the Kingdom's territory anytime Hanoi wishes to do so ("No sensible Vietnamese infantry general will order his troops marching towards Bangkok," a military source told me in Hanoi some time ago. "Before they got bogged down in the chaotic traffic of Bangkok, my soldiers will decide unilaterally to have their R and R in the inexpensive massage parlours at the outskirts of the city," he said).

The shocking thing that happened at the end of 1978, early 1979 as far as Bangkok is concerned: for the second time in the period less than five years, the Kingdom suffered from a strategic miscalculation.

Thailand sent troops to South Vietnam ("Her Majesty's Black Cobra combat regiment") to help the United States protect its political creation: The Republic of Vietnam. Thailand took part in clandestine operations in Laos, Thailand offered bases for B-52's. In mid 1975, the unbelievable thing happened: the US pulled out, and Thailand was left dangling.

In 1977, early 1978, Bangkok was shrewd enough to observe that the Pol Pot regime in Phnom Penh was not so friendly after all with its arch-rival, Vietnam. Relations were established with further plans to cultivate a working relationship that possibly would lead to an alliance (with China as a silent supporter) to counter-weight a unified Vietnam. But then, the December 1978 intervention took place.

To paraphrase Sukhumbhand Paribatra from Chulalongkorn University: Thailand's attempt to extend its sphere of influence in the "trans-Mekong" area, meaning Kampuchea, has failed.

But history of mainland Southeast Asia also showed that sensitive and tenacious diplomacy has been successful in the past to create a working balance between Thai's and Vietnam's security interests in Cambodia which has made the existence of an independent and neutral government in Phnom Penh possible.

Admittedly, the situation now is more complex. Peace-making diplomacy could be effectively conducted in the past by exchange of beautiful princesses, gift gold, silver and a few sturdy elephants. This is no longer the case. Besides, Thailand's increasing orientation towards an extra-regional power - China, paralled with Vietnam's alliance with the Soviet Union, and the rivalry between the two supporting powers plus the complex consensus decision making process within the councils of ASEAN complicate the efforts to resolve the Kampuchean conflict.

I am hopeful, however, Thai diplomacy, that exquisite product of an old and sophisticated culture, will in due time show its sense of realism for the sake of protecting and promoting the overall interests of the Kingdom.

What I mean by rediscovering that sense of realism which essentially is the secret of Thai's diplomatic success besides the display of its elegant style: regaining the confidence that by conceding the prominence of the Hengsamrin regime as an important part of a peaceful solution to the Kampuchean conflict in its initial stage, Thailand will have the opportunity to reshape the emerging political map and project its influence gradually in the trans-Mekong area.

After all, the Kingdom's economic strength, its trade and banking system are far more superior than Vietnam's.

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# ASEAN Co-operation: Problems and Prospects

Nana S. SUTRESNA

After World War II, three major turning points are generally recognised with regard to Western Bloc response to its adversary: the adoption of the "containment policy" in the late 1940s, the turn towards "detente" in the early-1970s, and the current move towards a "more assertive policy." The period of containment policy was characterised by the emergence of various regional military co-operations and collaborations practically all the world over.

Four attempts were made to form regional co-operation in Southeast Asia. One was SEATO (South East Asia Treaty Organization), an externally inspired organisation which was set up as a collective security arrangement with military undertaking for preserving peace. The other three were attempts made by local indigenous powers, i.e. ASA (Association of Southeast Asia), Maphilindo (Malaya, Philippines and Indonesia) and ASEAN (The Association of South East Asian Nations). Since SEATO was perceived as an offspring of the Cold War, the participation of Indonesia would constitute a betrayal to its independent and active foreign policy. Indonesia was also no part of ASA, because of its perception that ASA served as a link to SEATO. Maphilindo in which Indonesia associated itself was short-lived because serious political disputes arose among its three members that this embryonic and fragile organisation could not sustain.

In 1967 the Association of South East Asian Nations was established by

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local indigenous powers of five non-communist countries. Despite its avowed character as an organisation for economic, social and cultural co-operation, it was evident that political and security considerations were of paramount importance in the motivation of its founding. The Bangkok Declaration of 1967 speaks of the determination of the member countries "to ensure their stability and security from external interference in any form of manifestation in order to preserve their national identities in accordance with the ideals and aspirations of their peoples." There is also a reference in the Declaration regarding foreign military bases, which reads "all foreign bases are temporary and remain only with the expressed concurrence of the countries concerned and are not intended to be used directly or indirectly to subvert the national independence and freedom of States in the area or prejudice the orderly process of their national development."

Subsequent developments in the efforts to strengthen and accelerate co-operation were the following:

- a. The signing of the Kuala Lumpur Declaration of 1971, proclaiming South-east Asia as a Zone of Peace, Freedom and Neutrality. It recognised the important rôle political stability could play in sustaining economic programmes and development of the ASEAN countries. The ZOPFAN concept is a long-term strategy to free the region from any form or manner of interference by outside powers.
- b. The adoption by the five Heads of Government of the 1976 Bali Declaration of ASEAN Concord in which it laid down the principles and directives to be followed in ASEAN's bid for a viable and cohesive regional organisation through co-operation in the economic, social, cultural, political and information field, and the improvement of the ASEAN machinery.
- c. The signing of "The Treaty of Amity and Co-operation" during the Bali Summit. The object of the treaty was not only confined to the acceleration of economic growth in the region in order to strengthen the foundation for a prosperous and peaceful community of nations in Southeast Asia, but it also contained a code of conduct for inter-state relations, including the peaceful settlement of disputes.

The Bali Summit also expressed ASEAN's readiness to develop constructive relations and mutually beneficial co-operation with other countries in the region, irrespective of their ideology, political, social and economic system. This, however, was frustrated by the Vietnamese military invasion and occupation of Kampuchea which met ASEAN's swift and strong condemnation. The expectation that after the end of the Vietnam war, a peaceful and stable South-east Asia could emerge was shattered by the Vietnamese invasion of Kam-



puchea. If a firm stand had not been taken by ASEAN, a sharp downward turn in the life of ASEAN would have been unavoidable. ASEAN denunciation of Vietnam's occupation of Kampuchea was a clear signal to the outside world that ASEAN is faithfully committed to respect the principles enshrined in the UN Charter and the Ten Principles of Bandung.

With the Bangkok Declaration and its subsequent documents, ASEAN has formulated a set of codes of conduct on its relations among themselves and between ASEAN and outside powers. Generally speaking, ASEAN co-operation has made significant progress in the last 19 years, the establishment of which was free from involvement or role of any outside power.

## II

Intra-ASEAN political co-operation was a reflection of its outlook that regional co-operation could contribute significantly towards regional and global security. It was felt that through this co-operation, each member-country's national resilience can be enhanced which in turn would promote regional resilience. ASEAN was therefore committed to the preservation of stability, security and peace in the region so as to prevent a repetition of the region's history of competition and rivalries among outside powers which could lead to great power confrontation. To translate that goal into reality the following measures among others were to be pursued:

- a. To strive for the respect for and the recognition of "Southeast Asia as a Zone of Peace, Freedom, and Neutrality free from any form or manner of interference by outside powers."
- b. To encourage other countries in the region to pursue a mutually good neighbour, co-operative and constructive foreign policy so that all countries, regardless of its political and social system, would have a sense of commitment to bring Southeast Asia to peace, progress and stability, enjoying the blessings of their hard - won independence.

Being a long-term strategy which requires the acceptance of all countries in the region, and the big powers as well, ASEAN is under no illusion that the realisation of ZOPFAN is an easy task. To work for ZOPFAN means to take actions on three increasingly interrelated issues, i.e.:

- a. ASEAN should steadily grow as the most viable form of a broader community of interests which include economic, social and cultural, as well as political co-operation that makes ASEAN strategy more credible.
- b. Achievement of a regional consensus on avoiding Southeast Asia to be

dependent on their relations with outside powers which undermine regional unity. The fact that Southeast Asia's interests are best served by forging a co-operative role should be reconfirmed with stress being placed on the absolute necessity of keeping out external interference and intervention.

- c. It is hoped that the success of achieving those two objectives would encourage the big powers at the first stage to minimise their involvement in the region and at the end to secure their recognition of and respect for Southeast Asia as a zone of peace, freedom and neutrality.

The establishment of a nuclear-weapon-free zone in Southeast Asia (SEA/NWFZ) is recognised as the essential component of ZOPFAN and has therefore become an accepted goal of ASEAN endeavours. Indonesia is convinced that SEA/NWFZ will, apart from contributing positively to international disarmament efforts, concretely serve the national and regional security interests. Considering that ASEAN close neighbours in the South Pacific have succeeded in concluding and signing a nuclear-free zone treaty, it is wished that ASEAN should not lag too far behind in moving purposefully towards this objective.

In their recent meeting in Manila, the six ASEAN foreign ministers agreed to continue with the consideration of this subject (SEA/NWFZ) in all its aspects, including a comprehensive definition of the principles, objectives, and elements involved with a view to drafting as soon as possible a treaty on the SEA/NWFZ taking into account all its implications. Indonesia, for one would like to see a SEA/NWFZ materialise as early as possible because the enormous importance of this subject is to the regional security interests. Or ASEAN will wait until the Soviet Union, with the help of Vietnam, makes a bolder step by projecting its physical presence in the region designed to back up the expansion of its sphere of influence.

A major source of concern that might cause uncertainties with regard to the future political and security situation in Southeast Asia is the continuous involvement and pressures of the great powers. The success of the Soviet policy in establishing a regional foothold such as in Afghanistan and the consolidation of its sphere of influence in Indochina, and its initial step to gain recognition of its presence in the South Pacific have caused serious concern particularly in the US. While the US relations with China continue to develop, it also creates deep anxiety among the countries in the region because of their suspicion of China's long-term intention in Southeast Asia. Furthermore, it has to be recognised that Southeast Asian countries have their reservation about the level that could be tolerated of the Japanese interests and influence in the region. A fear of the revival of Japanese militarism or of a predominance of a Japanese economic presence are of immediate and par-



ticular concern. What appears to be an evolution of a triangular partnership, that of the US-Japan-China generates further impetus for the Soviet Union to exert a prominent role in Asia by using Indochina as a stepping stone.

There is even a more immediate problem ahead arising out of the many aspects of threat the Kampuchean conflict could pose. Should the present stalemate continue, and should the Hanoi-Moscow relationship become stronger, then the Soviet presence in Southeast Asia will grow stronger and pose a more formidable challenge to the other major powers in the Pacific. The political advantages the Soviet Union has gained through its military co-operation with Vietnam, although not overwhelmingly is certainly substantial. Access to Vietnamese ports renders growing capabilities to Soviet's fleet. It has also improved Soviet intelligence-gathering capabilities concerning China and the US. Reconnaissance aircraft from Danang can reach the southern coast of Australia, although at heavy economic cost.

All parties involved or interested in the Kampuchean conflict are faced with a painful dilemma to address the following questions:

- a. Would the Soviet Union be likely to trade its military access to Vietnam for some possible improvement elsewhere in its relations with Washington and Beijing.
- b. How best to deal with the Hanoi-Moscow alliance so as to weaken Hanoi's ties with Moscow while minimising China's role in Southeast Asia.
- c. Should ASEAN accept the situation and seek a settlement that would leave Hanoi to a large measure having an effective sphere of influence over Kampuchea, but hold out some prospect for stabilised relations between ASEAN and the three Indochina states.

With the credibility, image and prestige it possesses, ASEAN has played a leading role to seek a political solution to the Kampuchean problem which essentially has an extra-regional character, mainly the expanded projection of the Sino-Soviet conflict in Southeast Asia. ASEAN co-ordinated diplomatic efforts and the continuing inflexibility of Vietnam position have brought Vietnam in a diplomatic isolation, incapacitating Vietnam to win votes in the United Nations to oust Democratic Kampuchea. ASEAN has successfully managed to neutralise Vietnam from further utilising its military capability and to isolate Vietnam in the international fora. It is true that the Kampuchean problem has not been settled as ASEAN would like to see, but ASEAN has managed to decrease its potential escalation into a region-wide conflict, and more importantly that it was done without involving ASEAN itself in an arms race with Vietnam which politically and economically would be too high of a cost.

Another area of concern to ASEAN, as it could affect the ASEAN member countries individually and collectively, is the political development in the South Pacific which could cause instability in the region. Vanuatu, an already best friend of Cuba, has recently established diplomatic relations with the Soviet Union and forge close relations with Lybia, and agreed to receive Vietnamese assistance in the form of medical aid. The US rejection of the 1982 Law of the Sea Convention was viewed by the island states as an official endorsement for US fishing vessels "to steal" their most valuable resources of tuna. This makes the Soviet fisheries offer appear more attractive. The US position to back French claim to French Polynesia and New Caledonia and its nuclear testing adds the region's resentment against the US.

How the US meet its responsibilities and protect its interests depend mostly on its efforts to gain the understanding of the peoples, taking into account the multitude of regional conflicts and their varied historical background, who because of their different colonial past have their own outlook in regard to what each considers its national interests, economic, as well as political. There is a list of misgivings against the way the US conducts its foreign policy, particularly in its efforts to incorporate human rights into her diplomacy. It is difficult to find a nation that does not recognise the universal value of human rights. But the priority and extent to which these are exercised might differ from country to country depending on their respective value system.

In the economic and social field, the future growth is not promising. It is threatened by the impact of protectionist pressures and the downfall of oil prices. In the words of the Tokyo Summit Economic Declaration, these challenges are "persistent protectionist pressures, continuing difficulties of many developing countries and severe debt problems for some, and uncertainty about medium-terms prospect for the levels of energy prices." ASEAN common commitment to peace and economic development, and its record of solid accomplishment might be seriously affected. The development of the proportionate strength, cohesion, and stability in ASEAN countries sufficient to discourage or withstand outside efforts at domination or manipulation, may accordingly decrease.

The best proof of ASEAN ability to conduct co-ordinated diplomacy is also found in the common stand of ASEAN countries on problems related to the development of the political situation in the international scene. To mention a few, the ASEAN Ministerial Meeting held recently in Manila expressed their deep concern on the continuing escalation of the global arms race, particularly in its nuclear-dimension. A Declaration on the situation in South Africa was issued in which they expressed their grave concern over the escalating strife and tension in South Africa and strongly condemned the re-



pressive policies of the racist Pretoria regime. Furthermore, the ASEAN Foreign Ministers reiterated their condemnation of the act of defiance by the Pretoria regime in continuing its illegal occupation of Namibia. The deteriorating situation in West Asia and the restoration of the inherent rights of the Afghan people also called ASEAN attention. The consolidation of ASEAN present gains should be cautiously geared towards a more coordinated, and in some cases perhaps, integrated approach to meet the challenge posed by the international situation which is more complex today.

### III

Today for the first time in history, the six SEA countries have been able to develop friendly and mutually beneficial relations. ASEAN's survival could be attributed to its ability to meet the challenge of its unity and diversity despite differences in cultural background, religion language, and historical past, and by its determination not to allow those differences to impede the efforts to find common ground on which to co-operate.

Although ASEAN is not conceived to become eventually a political and economic integration, however, many observers, critical and friendly alike, have noted its achievements. These are some reasons for this:

- a. ASEAN members have never differed on the objectives of the Association for reasons of different perception on the big powers' strategic interests in the region and of the need to enhance national resilience that can cope with adverse internal forces as well as against the pulls and pressures of external major powers.
- b. They have been pragmatic in the pursuit of ASEAN goals and not to pushing themselves beyond what they commonly perceive as a common denominator.
- c. Member-states recognise the limits of bilateralism and the importance of multilateral approach in the world that becomes increasingly interdependent.

That is not to suggest that there is no nuances among ASEAN countries in coping with the challenges, not only on Kampuchea, but on other issues as well. These differences can be explained in the following:

- a. Being institutionally not an integrated regional grouping, each member-states retains a maximum degree of their respective sovereignty.
- b. Historical past such as the different process of regaining their respective

- national independence contributed in fundamental ways to different principles in their foreign policies.
- c. Geo-political situation and domestic consideration may also account for different perceptions, priority of interests, and degree of feeling secured or insecured.
  - d. Diversity among ASEAN member countries in terms of history, religion, tradition, political system, social standard, and geography could constitute domestic constraints in their efforts to accelerate common perception of interests and to heighten regional awareness.

At the institutional side of ASEAN, it must be pointed out that ASEAN is not a state or government. Neither is it a confederation nor a federation. Not all problems can be resolved by an Association approach. And this is understandable, because national interests are still paramount to each of the member-states, although collective interests assume increasingly greater importance. The future growth of ASEAN should not be impeded by the cycle of harmonising national interests with regional interests. The leadership of the ASEAN member countries must make determined and co-ordinated efforts to prevent such a potentially disturbing interaction of policies from developing.

It is easy to be critical at the way decision-making process in ASEAN is performed. Consensus is reached after consultations and deliberations and more often than not in actual terms it means unanimity. This way of decision-making might cause delay or even cancellation of a subject matter under consideration. Critics say that in effect, the veto does exist. Along the same line, decision can be made if members who tend not to agree do not air their disagreement. And this means "silent is consent." Critics may even go farther by saying that ASEAN's only significant achievement has been its ability to defuse issues without necessarily solving them. Some argue that the absence of an executive organ reduces the ability of the Association to get on timely with its main business. It is highly unlikely that member-states would accept the creation of such an organ as ASEAN is not designed to be a supra-national organisation.

ASEAN's consultative machinery in both the political and economic field is extensive, and yet its effectiveness cannot be underestimated. Time budgeting and priorities setting are crucial in the management of the ASEAN machinery. The holding of frequent meetings of various levels of ASEAN committees -- governmental as well as non-governmental -- eventually may be rationalised if it wishes to avoid heavy cost, in terms of considerable amount of time, energy and even funds.



## IV

It is to a certain degree true that the Association can survive and function as long as the member-states believe that it provides the best available means to advance their interests at an acceptable cost and risk. It is therefore essential to recognise the nature of the survivability element of the Association as a basis for keeping the opportunities open to gaining mutual benefits.

Two prerequisites may facilitate progress. The first is the need to keep ASEAN solidarity and self-confidence as two essential components of a sensible regional strategy. The second prerequisite is patience in seeking common perception.

It is fair to expect that ASEAN will have its success and failure in the future. This ought to be recognised in order to help us match our expectation with reality which in turn helps strengthen the existence of the Association. Therefore, it is useful to examine both the possibilities and the potential limitations of common action among the members in each of the major or immediate concern in which their policies interact: prosperity, security, and relations with other countries in and outside the region. The next ASEAN Summit planned to be held in Manila in 1987 could offer us the opportunity to set out the new directives for ASEAN co-operation in the years ahead.

# ASEAN's Participation in the GATT

Hadi SOESASTRO

## INTRODUCTION

Since the inception of GATT (General Agreement on Tariffs and Trade) about 40 years ago, the environment of world trade has changed in many ways. One of the significant changes concerns the growth of importance of the developing countries (LDCs). However, the participation of LDCs in GATT remains minimal, and they have practically remained outside the system.

The Haberler Report (*Trends in International Trade, 1958*), prepared by a group of experts appointed by GATT, drew attention to the role played by the trade policies of the developed countries to the difficulties of the LDCs. This led to the setting up by GATT of a new committee, Committee III, to deal with the special problems of LDCs. However, the issues were taken up more effectively by UNCTAD (United Nations Conference on Trade and Development), an organisation which emerged initially as a one-off conference convened to consider the special trade problems of the LDCs.

UNCTAD was instrumental in the adoption by GATT of a new Part IV in 1965 which addressed the special needs of the developing countries (articles XXXVI, XXXVII and XXXVIII). It was also instrumental in stimulating the Generalised System of Preferences (GSP). As such, the UNCTAD approach was quite successful.

In terms of sentiments Part IV of the General Agreement was sympathetic to the demands of the LDCs, but in terms of substance it contained few ex-

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plicit commitments to meet those demands. However, the addition of Part IV introduced an asymmetry in GATT since "the developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of the less developed contracting parties."

Since then, *non-reciprocity* was endorsed in principle. In practice, reciprocity has been confined to the major developed economies who have done most of the bargaining and benefits have spilled over to the smaller and poorer countries. In this sense, the reciprocity obligation was never strictly enforced. This was to make allowance for obvious asymmetries in "ability to offer," particularly between developed economies and LDCs.<sup>1</sup>

In essence, the principle of reciprocity to some extent compromises the keystone of the General Agreement, namely the Most Favoured Nation (MFN) principle based on *non-discrimination*. However, unconditional MFN treatment permits "free riders" and thereby might reduce the incentives to liberalisation. Therefore, in recognition of the free rider problem associated with trade liberalisation, the principle of reciprocity was introduced primarily to encourage multilateral trade liberalisation. As such, it is "consistent" with the aims of the MFN principle. Moreover, "the presence of a reciprocity obligation serves to help defuse domestic political resistance to tariff liberalisation."<sup>2</sup>

The UNCTAD approach, which led to the granting of preferences and non-reciprocity, was regarded by the LDCs as reflecting a more equitable trading relations between rich and poor countries because they remove the anomaly of "equal rights and obligations among unequals."<sup>3</sup>

It can be suggested, however, that the UNCTAD approach will no longer be the appropriate strategy for the LDCs to pursue in confronting the trade issues of the 1980s and beyond. In other words, the trade policy of the LDCs could no longer rest primarily on enlarging tariff preferences. Part of the reason for it lies in the unequal performance among the LDCs themselves, in which certain countries have managed to achieve enormous progress in their development efforts over the past 15 years. Thus, in the realm of trade policy, the Republic of Korea cannot expect to be treated as an equal of Burundi.

<sup>1</sup>David Greenaway, *International Trade Policy -- From Tariffs to the New Protectionism* (London: MacMillan, 1983), pp. 87-88.

<sup>2</sup>*Ibid.*, p. 87.

<sup>3</sup>See Isaiah Frank, "Trade Policy Issues for the Developing Countries in the 1980s," *World Bank Staff Working Paper No. 478*, August 1981, p. 12.

Experience equally showed that the UNCTAD approach failed to elevate the bargaining position of the LDCs during the seventh round of trade negotiations under the aegis of GATT, the Tokyo Round, which was conducted from 1973 to 1979. As suggested elsewhere, the poor outcome for the LDCs from the kind of asymmetry that has evolved in GATT was to be expected. This ensued from the fact that in "a system in which all developed countries are bound by rules and all developing countries retain trade policy sovereignty," it is very unlikely that the rules would be followed by the developed countries in view of the lack of bargaining leverage or enforcement power on the side of the LDCs.<sup>4</sup>

Indeed, an inherent limitation on the bargaining position of developing countries in past rounds of multilateral trade negotiations (MTN) has been the lack of liberalisation offers on their own part which could serve as bargaining chips.<sup>5</sup> UNCTAD speeches and resolutions no longer suffice.

Further MFN tariff cuts in the MTN in fact led to an *erosion* of the margins or preferences enjoyed by the LDCs under the GSP anyway. It is not at all clear whether the loss from the erosion of the margins of preferences, or the loss to LDCs of the benefits of trade diversion in the preference-granting countries, is greater than the gains from trade creation in those countries derived from MFN tariff reductions on non-GSP products. In addition, unlike MFN concessions, GSP concessions are not "bound" and thus, they can be altered or withdrawn at short notice. Overall, the importance of tariffs as compared with non-tariff barriers to trade has greatly diminished.

Nonetheless, there are valid reasons for the disappointments on the part of the LDCs with the results of the Tokyo Round. Foremost among the many areas of vital interest to the LDCs was the failure to liberalise existing quantitative restrictions (QRs) or to limit Voluntary Export Restraints (VERs) and Orderly Marketing Agreements (OMAs). The failure to negotiate a "multi-lateral safeguard code" increased the possibility of applying the "escape clause" on the basis of discrimination, or *selectivity*, in the case of "market disruption."

The one perceived successful achievement of the LDCs, namely the development of the framework agreement -- the "enabling clause" -- provides a

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<sup>4</sup>See Lawrence B. Krause, "The Developing Countries and the GATT," in Young Soogil (ed.), *Pacific Perspectives on Trade Policy Issues* (Seoul: Korea Development Institute, February 1985), p. 158.

<sup>5</sup>Gary Clyde Hufbauer and Jeffrey J. Schott, "Trading for Growth: The Next Round of Trade Negotiations," Institute for International Economics, *Policy Analyses in International Economics* No. 11, September 1985, pp. 32-36.



Table 1.

## TOKYO ROUND AGREEMENTS : STATUS AT 1 JULY 1985

LDC Contracting Parties	Geneva 1979 Protocol	Suppl. 1979 Protocol	Tech. Barriers	Gov't. Procur.	Subsid. Counter-vail	Bovine Meat	Diary	Customs Val. Agreement	Import Lic.	Civil Aircraft	Anti-Dumping
Argentina	A		S			A	A	S*	S		
Brazil		A	A		A	A		A			A
Chile		A	A		A				A		
Colombia						A					
Dominican Republic		A									
Egypt		A	A		A	A	S		A	S	A
Greece			S							S	
Haiti		A									
India		A	A		A			A*	A		A
Indonesia		A			A*						
Israel		S	A		A						
Ivory Coast		A									
Jamaica	A										
Malawi								A*			
Malaysia		A									
Pakistan		A	A		A				A		A
Peru		A									
Philippines			A		A*				A		
Rwanda			S								
Singapore		A	A	A					A		A*
Turkey					A						
Uruguay		A			A	A	A				A
Yugoslavia	A		A		S	A	A				
Zaire		A									

\* Reservation, condition and/or declaration — A: Accepted — S: Signed (acceptance pending)  
 Source: GATT Activities 1984

legitimation of "special and differential treatment" for the LDCs. It gives an ongoing legitimacy to tariff preferences, whose value is currently being questioned. The special and differential treatment was also compromised by the application of the *conditional* MFN principle in the area of non-tariff measures, namely in the NTB codes. Thus, the benefits from the codes would only apply to those countries who themselves signed the code. Indeed, no LDC signed all of the codes (see Table 1). In addition, the special and differential treatment has been counter-balanced by the inclusion of the principle of *graduation* at the insistence of the developed countries.

The question for ASEAN today is that of formulating a new strategy which could effectively serve the trade policy interests of its member countries who, individually and collectively, have a great stake in maintaining the access to world trade markets.

The next part of this report reviews the recent trade performance of ASEAN countries. This is followed by a discussion of the elements of a strategy for ASEAN in the GATT which addresses the issues of reciprocity, selectivity, conditionality, and graduation. The last part of the report examines a few specific areas of relevance to ASEAN countries in the coming round of multilateral trade negotiations, the Uruguay Round.

## REVIEW OF ASEAN'S RECENT TRADE PERFORMANCE

A review of ASEAN's trade performance should bear in mind that ASEAN countries, to a greater or lesser degree, have consciously adopted export-led strategies to further their economic development. Furthermore, an increased share of ASEAN in the world product and world trade markets will be achieved through an active involvement in the dynamic development of the international division of production.

The experience of East Asian NICs in the 1960s and 1970s suggests the importance of the international environment in promoting growth and structural change in, as well as international competitiveness of, those countries. The rapid growth in manufactured exports from the East Asian NICs over that period is in part due to the sixth round of trade negotiations, the Kennedy Round, from 1964 to 1967.

The potentials for continuing rapid shifts in comparative advantage from one group of countries to others lower on the development scale are not exhausted, especially in the Asia-Pacific region. Whether the potential for a new international division of production, involving a greater share of ASEAN



countries, will be realised depends greatly on domestic economic policies in each of them. It should be noted that internal policies can be profoundly affected by the way in which the international trade system evolves.<sup>6</sup>

Since the Tokyo Round, LDCs exports have faced increasing barriers in the markets of the developed countries, especially for textiles and apparel, footwear, steel, and consumer electronics, reflecting the general erosion of the world trading system. Of particular concern is the fact that the rise in protection in the developed countries is concentrated in sectors where comparative advantage is shifting and has taken the form of QRs, which directly limit trade expansion on the basis of comparative cost.

Thus, liberalisation of existing QRs should be the overriding objective of the LDCs, in addition to an improved safeguards system. The Multifiber Arrangement (MFA), which has been extended to 31st July 1991, has been made progressively more restrictive against LDC exporters. Despite the increased share of LDCs in world exports of textiles and clothing in the aggregate, the existence of the MFA has prevented them from exploiting totally their comparative advantage.

The use of VERs has become a rule in the trade of certain commodities. Thailand, for instance, has entered into a new four-year VER Agreement (1987-90) governing its tapioca trade with the EEC.<sup>7</sup> The threat of the Jenkins Bill to most countries in East Asia, based on the so-called "market disruption" concept, was most credible in the absence of a multilateral safeguard code. The tendency to recourse to bilateral, sector-specific trade measures, as will be examined later, will have the effect of impeding competition, not only between producers in developed countries and lower-cost suppliers in LDCs, but also among LDCs themselves. VERs and other bilateral market-sharing arrangements have proliferated because they have many "attractive" features, both for domestic producers of the import-competing product and for the exporter. Even new exporters may welcome the arrangement, as it provides an opportunity to expand sales and increase market shares.

All these issues are clearly of relevance to ASEAN countries today who have embarked on the process of industrialisation also with the world markets in mind. In terms of strategy, ASEAN countries should decide whether they want, and can afford, to enter into bilateral deals, although the arrangements derogate from GATT principles. Given the current situation in which ASEAN countries are, their options may indeed be limited.

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<sup>6</sup>See I. Frank, "Trade Policy Issues," p. 1.

<sup>7</sup>On the controversy regarding the agreement, see *Far Eastern Economic Review*, 12 June 1986, pp. 130-131.

Table 2

## ASEAN COUNTRIES EXPORT AND IMPORT TRADE (Annual Per Cent Change)

	Exports							Imports						
	1979	1980	1981	1982	1983	1984	1985	1979	1980	1981	1982	1983	1984	1985
Brunei	43.8	72.9	-12.8	- 5.4	-11.1	- 5.5	-18.8	41.0	44.6	2.8	24.2	- 1.0	-14.1	20.5
Indonesia	33.8	40.6	8.7	- 6.2	- 5.3	3.5	-16.2	8.0	50.0	22.4	27.0	- 3.0	-15.1	-32.8
Malaysia	49.4	17.0	- 9.2	2.3	17.3	17.2	- 7.0	32.3	38.0	7.0	7.2	6.7	6.2	-12.5
Philippines	34.3	25.7	- 1.1	-12.3	- 1.7	8.3	-13.6	28.6	25.4	2.2	- 2.5	- 4.8	-20.4	-14.5
Singapore	40.5	36.1	8.2	- 9	5.0	10.3	5.2	35.1	36.1	14.8	2.2	- 1	1.8	- 8.5
Thailand	29.7	22.6	8.1	- 1.3	- 8.2	16.4	- 3.3	33.8	28.6	8.0	-14.3	20.5	1.3	- 9.7

Source: IMF, Direction of Trade Statistics, 1986 Yearbook.

Since 1981 the export performance of all ASEAN countries has continuously deteriorated. As shown in Table 2, there was a slight resurgence of their exports in 1984 which declined again in 1985. The decline in exports has immediately affected imports and in turn it also has brought down economic growth rates in the region.

The growth rates of exports of ASEAN countries in 1979 were in the order of 30 to 50 per cent. In 1985 they were all in the minus, ranging from -3 per cent for Thailand to -9 per cent for Brunei. Indonesia, a country highly dependent on oil exports as in the case of Brunei, also recorded a decline of about 16 per cent. In the case of Malaysia the decline was moderate (-7 per cent), but still larger than the decline of exports of all LDCs (-4.5 per cent). The poor export performance of the Philippines was caused mainly by the ongoing internal political turmoil in the country. The slowdown of Singapore's exports to some extent resulted from the deteriorating conditions in the ASEAN region in addition to worsening global demand conditions.<sup>8</sup>

Imports by ASEAN countries, which in the 1970s grew by about 30 to 40 per cent per annum, have stagnated since 1981. Indonesia even had to cut its exports by over 30 per cent in 1985. All other ASEAN countries, with the exception of Brunei, also cut their imports by about 10 per cent in 1985.

The government of Indonesia has launched a series of policies aimed at stimulating non-oil exports. The results thus far have been mixed. Its policy to diversify markets is also adopted by other ASEAN countries. However, all have recognised that the developed countries, especially the US, Japan and EEC, will continue to be their major markets. Thailand has been quite successful in penetrating new markets, including the huge US market for

<sup>8</sup>See Report of the Economic Committee, *The Singapore Economy: New Directions* (Ministry of Trade & Industry, Republic of Singapore, February 1986).



Table 3

ASEAN COUNTRIES EXPORT AND IMPORT TRADE WITH INDUSTRIALISED COUNTRIES, 1979-1985  
(Per Cent of Total)

	Exports					Imports								
	1979	1980	1981	1982	1983	1984	1985	1979	1980	1981	1982	1983	1984	1985
Brunei	81.8	80.7	81.7	83.6	76.6	76.3	68.3	62.5	67.0	59.9	59.2	59.0	56.3	43.3
(Japan)	(71.2)	(70.9)	(68.9)	(67.7)	(67.7)	(68.4)	(67.1)	(25.7)	(23.7)	(22.4)	(23.6)	(19.1)	(20.0)	(13.3)
(US)	(7.9)	(8.6)	(10.7)	(12.7)	(8.1)	(5.5)	(0.0)	(16.8)	(20.0)	(18.7)	(17.0)	(19.5)	(15.2)	(7.4)
(EC)	(2.6)	(0.0)	(1.4)	(2.9)	(0.7)	(2.3)	(1.2)	(15.9)	(20.3)	(15.4)	(14.8)	(16.4)	(16.6)	(18.5)
Indonesia	76.1	77.6	73.9	74.4	72.8	75.5	80.0	65.5	64.8	66.9	62.5	59.8	65.5	77.2
(Japan)	(46.1)	(49.3)	(47.9)	(50.1)	(45.8)	(47.3)	(49.1)	(29.1)	(31.5)	(30.1)	(25.4)	(23.2)	(23.8)	(28.1)
(US)	(20.4)	(19.6)	(18.3)	(15.9)	(20.2)	(20.6)	(22.7)	(14.6)	(13.0)	(13.5)	(14.3)	(15.5)	(18.4)	(14.4)
(EC)	(7.8)	(6.5)	(4.9)	(4.1)	(4.7)	(5.0)	(6.6)	(15.2)	(13.6)	(17.1)	(16.3)	(15.0)	(15.4)	(21.7)
Malaysia	62.7	59.5	53.0	50.3	50.5	52.0	54.6	65.2	63.2	62.7	63.2	63.6	64.2	61.5
(Japan)	(23.4)	(22.8)	(21.1)	(20.3)	(19.7)	(22.8)	(24.6)	(22.4)	(22.8)	(24.4)	(25.0)	(25.4)	(26.3)	(23.0)
(US)	(17.3)	(16.4)	(13.1)	(11.6)	(13.2)	(13.5)	(12.8)	(15.0)	(15.1)	(14.6)	(17.6)	(16.1)	(16.3)	(15.3)
(EC)	(18.6)	(17.6)	(15.9)	(15.3)	(15.0)	(13.0)	(14.4)	(17.7)	(15.8)	(14.1)	(12.4)	(14.4)	(13.7)	(14.4)
Philippines	81.7	75.2	74.0	73.4	77.0	75.3	73.7	66.7	60.7	58.6	60.5	58.0	57.2	53.8
(Japan)	(26.4)	(26.6)	(21.9)	(22.9)	(19.9)	(19.4)	(18.9)	(22.8)	(19.9)	(19.0)	(20.1)	(17.1)	(13.6)	(14.0)
(US)	(30.2)	(27.5)	(31.0)	(31.6)	(36.3)	(38.0)	(35.9)	(22.8)	(23.5)	(22.8)	(22.5)	(23.3)	(27.4)	(25.1)
(EC)	(20.9)	(17.5)	(16.5)	(15.1)	(17.0)	(13.9)	(14.0)	(13.9)	(10.7)	(10.5)	(11.5)	(12.1)	(11.0)	(8.5)
Singapore	44.1	40.3	40.7	39.6	41.9	44.7	46.5	48.0	48.7	46.2	46.2	47.8	48.4	49.0
(Japan)	(9.6)	(8.1)	(10.1)	(10.9)	(9.2)	(9.4)	(9.4)	(17.0)	(18.0)	(18.8)	(17.9)	(18.0)	(18.4)	(17.1)
(US)	(13.8)	(12.5)	(13.2)	(12.6)	(18.1)	(20.0)	(21.2)	(14.3)	(14.1)	(12.6)	(12.9)	(15.1)	(14.6)	(15.2)
(EC)	(14.4)	(12.8)	(10.9)	(9.7)	(9.5)	(10.1)	(10.6)	(11.5)	(11.2)	(9.9)	(10.5)	(10.6)	(10.4)	(11.3)
Thailand	59.9	57.8	52.7	53.4	55.8	55.6	56.4	63.3	55.8	56.6	54.7	59.5	59.0	59.7
(Japan)	(21.2)	(15.1)	(14.2)	(13.7)	(15.1)	(13.0)	(13.3)	(25.7)	(21.2)	(24.2)	(23.5)	(27.4)	(26.9)	(26.0)
(US)	(11.2)	(12.7)	(12.9)	(12.7)	(15.0)	(17.2)	(19.6)	(15.7)	(14.5)	(13.0)	(13.4)	(12.6)	(13.5)	(11.2)
(EC)	(23.6)	(26.0)	(21.8)	(23.6)	(21.4)	(20.7)	(18.9)	(15.0)	(13.4)	(12.8)	(11.9)	(13.0)	(12.4)	(16.4)

Source: Same as Table 2.

manufacturing products. Its rather high profile and aggressive posture in the trade front, involving the development of Thai trading houses and lobbying capabilities, seem to have paid off.

As shown in Table 3, the share of the US market in Thailand's total export almost doubled during the past six years, from 11 per cent in 1979 to 20 per cent in 1985. Such development could also be seen in Singapore's exports where the share of the US increased from 14 per cent to 22 per cent over the same period. Less dramatic rises in the share of the US market had been experienced by the Philippines and Indonesia. Japan's share declined quite significantly in the exports of Thailand and to a lesser extent in Philippines exports, but remained quite stable in the exports of the other ASEAN countries. The period 1979-1985 saw a general decline in the shares of EEC in ASEAN countries' exports.

The exports trade of Malaysia, the Philippines and Brunei seems to have been directed away from the industrialised countries. The shares of the industrialised market economies in Malaysia's export declined from 63 per cent in 1979 to 55 per cent in 1985. In the case of the Philippines from 82 per cent to 74 per cent and in the case of Brunei from 82 per cent to 68 per cent. The shares have remained stable in the exports of Singapore and Thailand, while they have slightly increased in the case of Indonesia's exports. Developments on the import side were very much a mirror image of developments on the export side.

Correspondingly, the shares of the developing countries -- primarily of ASEAN itself -- have increased in the exports of Malaysia (from 32 to 42 per cent), the Philippines (from 15 to 24 per cent), and Brunei (from 14 to 28 per cent). Singapore's exports to the developing world have remained at about 50 to 55 per cent of its total exports. In the case of Thailand it has been at about 40 per cent throughout the 1979-1985 period. In contrast, the exports of Indonesia and Brunei are mainly directed to the industrialised countries, largely because of the very high shares of oil and gas. Table 4 also shows the shares of intra-ASEAN trade in the exports of each ASEAN member country. These shares increased in the case of the Philippines (which start from a very low base), Malaysia and Brunei. They remain at about the same level for Singapore (22 to 25 per cent) and Thailand (15 to 17 per cent), but declined in the case of Indonesia from 14 per cent in 1979 to 8 per cent in 1985.

Table 2 and 4 examined together suggest an interesting hypothesis, as already proposed some time ago by Lewis,<sup>9</sup> namely that ASEAN countries

<sup>9</sup>Arthur Lewis, "The Slowing Down of the Engine of Growth," *American Economic Review* (September 1980).



Table 4 ASEAN COUNTRIES EXPORTS AND IMPORTS TRADE  
WITH DEVELOPING COUNTRIES, 1979-1985 (Per Cent of Total)

	Exports							Imports						
	1979	1980	1981	1982	1983	1984	1985	1979	1980	1981	1982	1983	1984	1985
Brunei	14.1	17.7	18.3	15.2	20.7	21.5	28.0	34.1	29.8	36.0	35.6	35.1	37.4	52.6
(ASEAN)	(10.3)	(12.7)	(13.8)	(11.0)	(13.2)	(16.1)	(20.8)	(28.4)	(26.1)	(32.0)	(27.9)	(30.8)	(32.5)	(49.4)
Indonesia	21.4	20.2	24.1	24.5	25.6	22.5	17.8	27.9	29.9	29.1	34.2	36.6	31.3	19.6
(ASEAN)	(14.2)	(12.6)	(11.9)	(15.7)	(16.4)	(11.4)	( 7.9)	(11.6)	(12.5)	(19.2)	(19.6)	(23.9)	(14.0)	( 6.9)
Malaysia	32.1	35.5	41.9	44.7	44.4	44.0	41.6	31.6	33.8	34.2	33.5	33.2	32.5	35.4
(ASEAN)	(20.3)	(22.6)	(26.8)	(30.0)	(28.5)	(26.6)	(25.9)	(14.6)	(16.4)	(17.9)	(19.9)	(18.9)	(19.5)	(22.4)
Philippines	14.8	19.6	21.2	23.0	19.6	21.8	23.6	30.2	36.5	38.6	36.4	38.7	39.7	42.5
(ASEAN)	( 4.1)	( 6.6)	( 7.3)	( 7.2)	( 7.3)	( 9.7)	(11.4)	( 6.3)	( 6.7)	( 8.0)	( 7.5)	( 9.3)	(12.5)	(14.5)
Singapore	25.6	56.3	56.7	57.8	55.5	51.9	50.4	49.1	48.6	51.3	51.1	49.2	47.9	47.5
(ASEAN)	(21.8)	(22.2)	(22.6)	(24.8)	(25.5)	(23.1)	(21.9)	(18.3)	(17.0)	(15.7)	(16.4)	(17.4)	(18.6)	(18.0)
Thailand	38.0	38.1	41.3	42.6	41.1	41.3	40.2	32.6	41.2	39.2	41.1	36.3	37.1	36.1
(ASEAN)	(16.8)	(16.4)	(14.8)	(15.6)	(15.7)	(14.2)	(14.5)	( 9.0)	(12.0)	(11.7)	(13.2)	(13.2)	(15.8)	(17.9)

Source: Same as Table 2.

Table 5 COMMODITY COMPOSITION OF ASEAN EXPORT TRADE,  
1979-1983 (Per Cent of Total)

SITC	Brunei		Indonesia		Malaysia		Philippines		Singapore		Thailand	
	1979	1983	1979	1983	1977	1981	1979	1983	1979	1983	1979	1983
0. Food & Live Animals	0.0	0.1	7.7	5.2	5.5	4.2	18.6	19.1	5.4	4.4	4.7	50.3
1. Beverages & Tobacco	0.0	0.0	0.4	0.2	0.2	0.1	0.8	0.8	0.4	0.5	1.2	1.3
2. Crude Materials, excl. Fuels	0.1	0.0	19.7	7.8	39.9	28.5	27.0	14.9	14.3	7.3	16.8	11.2
3. Mineral Fuels, etc.	99.5	98.9	65.2	76.4	14.3	26.6	0.2	2.2	24.0	8.0	0.0	0.4
4. Animal, vegetable oil, Fat	0.0	0.0	1.4	0.7	13.2	12.5	16.4	10.5	2.8	1.4	0.0	0.2
5. Chemicals	0.0	0.0	0.4	0.6	0.6	0.7	2.5	1.9	3.7	4.3	0.7	0.9
6. Basic Manuf.	0.0	0.2	3.7	6.4	15.5	12.0	9.2	7.4	9.2	8.0	21.6	17.0
7. Machine, Transport Equipm	0.0	0.6	0.7	0.6	6.7	12.2	1.8	5.1	26.5	31.3	3.7	5.7
8. Misc. Manuf. Goods	0.0	0.2	0.5	1.0	3.6	2.6	10.3	12.2	6.9	7.2	6.3	11.5
9. Goods not classified by kind	0.0	0.0	0.3	1.1	0.4	0.5	13.3	25.9	6.9	7.7	2.5	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: ESCAP, *Foreign Trade Statistics of Asia and the Pacific* (various issues).

which have greater trade relations with the developing world itself have been able to achieve a better export performance. It is not clear, however, what policy conclusions could be derived from this suggestion.

Table 5 shows the commodity composition of ASEAN exports from 1979 to 1983. Brunei's exports consisted mainly of oil and gas, and the high concentration of these two commodities (SITC 3) has not changed over the period 1979-1983. The share of oil and gas has increased in the case of Indonesia, from 65 per cent in 1979 to 76 per cent in 1983. However, Indonesia also increased the shares of manufactured products (SITC 6 to 8) in its exports, from 5 per cent in 1979 to 8 per cent in 1983. This increase was due to a steady increase in the export of plywood (SITC 63), textiles (SITC 65), aluminium (SITC 68), consumer electronics (SITC 72), furniture (SITC 82), clothing (SITC 84), and footwear (SITC 85). In terms of value it involved an increase from US\$0.8 billion to US\$1.7 billion.

Malaysia's export of oil has increased rather substantially over the period from 1977 to 1981, following the second oil boom. However, its exports of manufactured products (SITC 6 to 8) also doubled in value terms throughout that period. The increase mainly came from consumer electronics (SITC 72), but also from textiles and clothing (SITC 65 and 84), footwear (SITC 85) and wood products (SITC 63). This development was quite similar to that of Indonesia, but at a considerable higher level in the case of Malaysia. Malaysia is an important exporter of vegetable oil (palm oil).

The shares of manufactured products in Philippines exports increased from 20 per cent in 1979 to about 25 per cent in 1983. Similar to the two previous countries, the main products were wood products (SITC 63), textiles and clothing (SITC 65 and 84), furniture (SITC 82), and consumer electronics (SITC 72). Percentage-wise vegetable oil exports (SITC 42) declined from about 16 per cent in 1979 to 11 per cent in 1983, but in terms of value it still amounted to more than US\$ 0.5 billion in 1983.

Manufactured product (SITC 6 to 8) exports from Singapore also increased from 43 to 47 per cent of the total exports from 1979 to 1983. The main increase was across the entire range of machineries (SITC 71), consumer electronics (SITC 72), and transport equipment (SITC 73). Thai manufactured exports (SITC 6 to 8) increased to about 34 per cent in 1983, but the main export still was in agricultural products (SITC 0), which amounted to 50 per cent of the total exports in 1983. Tropical product export was also important for the Philippines.

This brief review suggests the areas of trade policy concerns for the individual ASEAN countries. Trade in agriculture is of prime importance to Thailand, and to some extent also to the Philippines. Trade in manufactures is



Table 6

**COMMODITY COMPOSITION OF ASEAN EXPORTS TO US, JAPAN AND EC, 1984.**  
(Million US dollar).

SITC	BRUNEI			INDONESIA			MALAYSIA			PHILIPPINES			SINGAPORE			THAILAND		
	US	JAPAN	EC	US	JAPAN	EC	US	JAPAN	EC	US	JAPAN	EC	US	JAPAN	EC	US	JAPAN	EC
0 Food & Live Animals	—	0.2	*	300.6	367.9	334.6	57.5	69.9	191.6	411.6	442.9	174.0	60.7	29.8	77.2	323.3	389.0	912.1
1 Beverages & Tobacco	—	—	—	13.5	0.6	37.4	*	—	0.1	8.1	5.2	15.7	1.4	1.8	0.6	21.1	6.5	28.1
2 Crude Materials, excl. Fuels	—	0.5	*	560.9	619.8	249.8	236.0	1,493.2	757.8	57.3	613.0	137.5	45.0	47.4	163.5	96.5	395.1	60.6
3 Mineral Fuels, etc	8.9	2,201.2	—	4,336.5	9,813.3	84.5	60.0	2,217.7	—	15.9	61.8	—	235.9	1,273.3	12.5	16.3	*	*
4 Animal, Vegetable Oil; Fat	—	—	—	9.8	5.0	78.1	206.5	141.2	417.2	290.5	28.8	215.2	6.1	12.1	6.0	3.3	1.6	2.6
5 Chemicals	—	—	—	16.1	8.9	16.2	9.4	36.5	19.6	11.6	55.0	3.0	17.1	78.3	197.4	15.0	33.1	8.8
6 Basic Manuf	—	0.1	5.6	303.5	345.0	267.7	161.7	293.3	206.0	111.3	126.4	71.9	61.9	26.4	137.1	317.2	145.5	288.0
7 Machines, Transport, Equipm.	0.2	*	3.4	98.1	0.4	41.0	1,827.4	114.7	519.5	962.2	30.0	221.8	3,006.6	201.7	951.9	262.8	39.0	69.4
8 Misc. Manuf. Goods	*	0.1	20.9	211.7	4.9	48.8	211.0	18.3	123.6	720.7	40.9	195.1	527.2	40.1	281.2	354.3	23.0	207.1
9 Goods not Classified by Kind.	1.6	0.4	0.2	16.7	9.6	3.8	53.5	26.7	5.3	31.7	14.5	3.9	158.0	49.6	38.6	15.6	6.8	3.6
Total	10.8	2,202.5	30.2	5,867.5	11,175.5	1,161.8	2,823.0	4,411.6	2,240.7	2,620.9	1,418.6	1,038.1	4,120.1	1,760.6	1,866.0	1,425.4	1,039.6	1,580.3

\* Less than US \$ 0.05 million

Source: OECD, *Foreign Trade by Commodities 1984*, Volume II (Paris 1986).

of importance to all ASEAN countries, except Brunei. It is of particular concern to Indonesia as a latecomer.

Table 6 shows the importance of the US, Japan, or the EEC market for individual commodity exports of each of the ASEAN countries in 1984. In trade of agricultural products all three markets were of equal importance to Indonesia. The EEC was of importance to Thailand and Malaysia, whereas Japan and the US were the important markets for the Philippines. In trade of crude materials (excl. fuels), Japan definitely was the main market for Indonesia, Malaysia, the Philippines, and Thailand. Japan was also the most important market for oil and gas exports from Indonesia, Malaysia and Brunei.

In manufactured goods trade, the US had become the most important market for all ASEAN countries, except Brunei -- whose manufactured exports were negligible. In the export of basic manufactured goods (SITC 6), all three markets were of equal importance to Indonesia, Malaysia, the Philippines, and Thailand, but in the export of machineries and transport equipment (SITC 7) as well as miscellaneous manufactured goods (SITC 8) the US stood out by a wide margin. In fact manufactured goods exports to the US (SITC 6 to 8), constituted about 90 per cent of Singapore's total exports to the US, 74 per cent of Malaysia's, and 66 and 65 per cent of Thailand and the Philippines, respectively.

To maintain the US market may be somewhat "costly" for ASEAN countries because of the growing protectionist sentiments in that country. But the experience of Singapore and Thailand suggests that the US market is a very attractive market, if only because of its size: Table 7 shows that the growth of US imports from ASEAN has declined, from an average of 16.7 per cent per annum in the period 1976-1979, to 8.4 per cent per annum in the period 1979-1983, and further to 5.5 per cent per annum in the period 1983-1985. In the two earlier periods the growth rates of US imports from ASEAN were still higher than those of US total imports as well as of US imports from the group of industrialised countries. In the period 1983-1985 US imports from ASEAN grew much slower than from the group of industrialised countries and non-oil LDCs. This was mainly due to the slowdown of and decline in US imports from ASEAN oil and gas exporters -- Brunei, Indonesia, Malaysia -- as well as from the Philippines. Singapore and Thailand, however, were able to increase their exports to the US, each by about 22 per cent per annum during this period of severe protectionist measures.<sup>10</sup>

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<sup>10</sup>See also Hadi Soesastro, "ASEAN-US Economic Relations: An Update," *Indonesian Quarterly*, Vol. XIII, No. 3 (July 1985), pp. 376-398.



Table 7

US IMPORTS FROM ASEAN, 1976—1985  
(Annual Per cent Change)

	1976—1979	1979—1983	1983—1985
Brunei	9.7	... <sup>a)</sup>	... <sup>a)</sup>
Indonesia	13.8	9.6	-6.7
Malaysia	22.7	-0.5	4.3
Philippines	13.5	7.0	3.9
Singapore	20.5	17.9	21.9
Thailand	20.4	12.5	22.1
ASEAN	16.7	8.4	5.5
World	13.8	4.9	15.8
Industrial countries	13.0	8.0	21.4
Oil-exporting LDCs	13.0	-15.0	-6.5
Non-oil LDCs	15.9	9.9	9.6

<sup>a)</sup>Since 1983 US imports from Brunei have been drastically reduced.  
Source: Same as Table 2.

Nonetheless, these two successful countries are facing equally -- if not more so because of their success -- serious problems of market access as those faced by the less successful ones.

During President Reagan's visit to Bali in April 1986, the ASEAN foreign ministers have conveyed to US Secretary of State, Shultz the specific trade concerns of each ASEAN country.<sup>11</sup> Thailand was concerned in particular that the rice provisions of the US Food Security Act specifically targets Thai rice exports to justify price-support policies for US rice farmers.<sup>12</sup>

ASEAN's concerns with US protectionism were already brought to the US attention at the Second ASEAN-US Dialogue in the late 1970s. However, in the various ASEAN-US Dialogue as well as ASEAN Dialogues with other trading partners, considerable attention was paid by ASEAN to improvements in the GSP. This resulted perhaps from the fact that negotiations on GSP by ASEAN do lend themselves suitable to the mechanism of dialogues, namely bilaterally between the GSP "donor" and the GSP "recipient."<sup>13</sup> In addition, the extension of tariff preferences to LDCs under the GSP has become a prominent feature of developed countries' trade policies toward LDCs and thus, it fits well to the North-South nature of the Dialogues. Seen from this point of view there is a need for ASEAN to find new approaches, in particular in dealing with trade issues.

<sup>11</sup>*Far Eastern Economic Review*, 8 May 1986, pp. 14-16.

<sup>12</sup>The legislation originated from pressures to retaliate against the EC's dumping of heavily subsidised agricultural products.

<sup>13</sup>Hadi Soesastro, "ASEAN and North-South Trade Issues," *Indonesian Quarterly*, Vol. XI, No. 3 (July 1983), pp. 59-82.

## ASEAN AND THE GATT

There is no doubt that ASEAN's ability to sustain growth greatly depends on the openness of external markets to its exports. This prospect will depend on progress made in the global effort to strengthen international institutions and policies -- the GATT in particular -- with the aim of maintaining and promoting an open international trading system and a set of credible multilateral trading rules. In the face of slow global economic growth for the rest of the 1980s and mounting protectionist pressures in the industrialised countries the task ahead is indeed a difficult one.

However, ASEAN countries have a great stake in the maintenance of an open trading system. Indeed, ASEAN countries have been alarmed last-year by the passage of a protectionist legislation -- the Jenkins Bill -- in the US Congress, which was defeated by a presidential veto. It showed the imminent threat of protectionism to ASEAN countries, in particular with regard to the US market, which lately has become the most attractive market for their manufactured exports. The impact of protectionism on LDCs cannot easily be assessed on a country-by-country basis. Overall, it has the effect of distorting the pattern of trade between developed countries and LDCs as well as among LDCs. Table 8 lists official estimates of the effects of the Jenkins Bill on a number of Asian countries.

Table 8  
EFFECTS OF THE JENKINS BILL ON SELECTED ASIAN  
COUNTRIES<sup>a</sup>

	% Reduction in Textile Exports to US	Foreign Exchange Losses (US\$ million)	Job Losses
China	56	500	n/a
Taiwan	47	1,000	70,000
S. Korea	33	1,000	35,000
Thailand	64	185	30,000
Hong Kong <sup>b</sup>	12	1,000	n/a
Indonesia	85	214	7,300
Philippines	21	80	90,500

<sup>a</sup>Estimates cover textile exports not already subject to fixed quotas.

<sup>b</sup>70 per cent for non-MFA exports.

Source: *Asian Pacific Monitor*, Washington, D.C., December 1985.

Essentially, there are different strategies to face protectionist pressures. One such strategy would be in the nature of a political response, either in a bilateral context (e.g. the use of the "security argument" by some quarters in the diplomacy with the US, or China's threat of retaliation against the US), or



in a regional context (Singapore's use of ASEAN in confronting the GSP/graduation issue raised by US and New Zealand). Another strategy would be one that is based on an acceptance of protectionism as a fact of life, and that the "game" of trying to manoeuvre one's way around it will have to be mastered. This would involve sophisticated lobbying, for example. A third strategy would be based on the assumption that protectionism will not be effective if exporting countries continuously increase their competitive edge. The fourth strategy would rely on the belief that protectionism could be checked by restoring the credibility of the international trading system, the GATT.

It is likely that a new ASEAN strategy would come out as a mix of those four strategies. There is the need, however, for ASEAN as a group to more actively pursue its trade policy interests through the GATT. All initial members of ASEAN have acceded to the GATT; Indonesia as early as 1949, the Philippines in 1979 at the end of the Tokyo Round, and Thailand only recently in 1982. Brunei maintains a de facto application of the GATT, pending final decisions as to its future commercial policy.

Whatever be ASEAN's strategy mix, it should clearly address the issues of tariff preferences, reciprocity, conditionality, selectivity, and graduation.

### **Preferential Treatment**

Imports from beneficiary LDCs covered by the GSP scheme have increased from 27 per cent of dutiable imports in 1972 to 31 per cent of dutiable imports in 1980. Nonetheless, as has been shown by various studies, several factors limit the benefits of the GSP scheme.<sup>14</sup> One such factor is the exclusion of certain "sensitive" products from the coverage of the scheme. These sensitive products are exactly those of special interest to LDCs and involve the so-called LDC sectors of comparative advantage. Furthermore, the exclusion of these sensitive products -- such as textiles and clothing -- from preferential treatment, while inputs into their production are subject to reduced or zero tariffs, will increase their effective rate of protection. Another factor relates to the limitation on the share of total imports of a particular product that can be imported at preferential rates from a single supplier. In addition; the introduction of schemes for graduation of products (or countries) as will be discussed later, reduces the impact of the GSP.

Of greater significance is the fact that the margin of preferences enjoyed by the LDCs under the GSP has been and will continuously be eroded by MFN

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<sup>14</sup>Shailendra J. Anjaria, Naheed Kirmani and Arne B. Peterson, *Trade Policy Issues and Development*, IMF Occasional Paper No. 38, July 1985, p. 79.

tariff reductions. As suggested some time ago, the gains to LDCs from the MFN tariff reductions should, under reasonable assumptions, far exceed any trade losses from reductions in preference margins.<sup>15</sup> LDCs should perhaps focus their efforts to bring about tariff reductions in those sensitive products as well as to tackle more effectively the problems of "tariff escalation." Thus far, the achievements on this score have been poor because those issues have been dealt with in a piecemeal fashion.

The earlier discussion on ASEAN countries trade policy issues led to questioning of their preoccupation with preserving and enlarging preferential treatments. This may be valid for the LDCs as a group as well. In other words, an important element in the UNCTAD approach may no longer be effective. It should not mean, however, that individual countries should not attempt to optimise the benefits from the scheme which is in existence. Indonesia, for instance, has consistently underutilised its opportunities to export under the GSP scheme. Of total Japanese GSP imports, Indonesia's share has not surpassed 1 per cent.

The question is in how far a beneficiary country is willing to become "hostage" to the "special and differential" treatment through the granting of GSP concessions which essentially are not "bound." Take for example the case of Thailand. Following a threat by the Office of the US Special Trade Representative to cut Thai's GSP privileges, on 16th September 1986 the Thai Government decided to liberalise the import of soybean products, amend the Copyrights Act and speed up the promulgation of a new trademark law to accord proper protection for US intellectual property.<sup>16</sup> While the measures taken may in themselves be desirable (for Thailand), one wonders whether the "linkage" should be justified. It should be noted, nonetheless, that of total Thai exports to the US in 1985 about 15 per cent entered under the GSP.

## Reciprocity

The issue of "linkage" as discussed above leads to an examination of the issue of bilateral or sectoral reciprocity as embodied in the so-called "new reciprocity movement."<sup>17</sup> This aggressive approach to reciprocity has been aggressively pursued in the US with the introduction of more than thirty bills in

<sup>15</sup>See Bela Balassa, "The Tokyo Round and the Development Countries," *World Bank Staff Working Paper No. 370*, February 1980, pp. 9-11.

<sup>16</sup>*Far Eastern Economic Review*, 2 October 1986, p. 106.

<sup>17</sup>On this and the discussions through this section see William R. Cline, "'Reciprocity': A New Approach to World Trade Policy?" in William R. Cline (ed.), *Trade Policy in the 1980s* (Washington, D.C.: Institute for International Economics, 1983), pp. 121-158.



the US Congress in 1982 calling for trade reciprocity. The bills called for retaliation against countries not granting market access "substantially equivalent" to that in the US. The aggressiveness of this new approach lies in the threat to impose new trade barriers, rather than not granting new liberalisation.

As practised in the past, reciprocity is an "overall" concept aimed at a broad or overall balance between the reduction in trade barriers offered by one country and the liberalisation secured from that country's major trading partners in negotiations.

The new reciprocity, as described by Cline, is *unilateral* in nature and tends to seek *bilateral reciprocity* of trade outcome, focussing on countries that have a bilateral surplus with the US. In fact, the new reciprocity approach stems primarily from the growing frustration over the US bilateral trade deficit with Japan.<sup>18</sup> In addition, it is *sectoral* in that it aims at reciprocal or symmetrical treatment in specific sectors. Thus, in both there is an element of arbitrariness, which not only harms the multilateral trading system (resulting from the proliferation of bilateral deals) but also because it may run counter to the principle of comparative advantage.

There also is the danger that the new reciprocity would force the complying country into a position of either defaulting on its own MFN obligations to third parties. This appears to be the case in the application of differential tariff schedules on plywood by Japan vis-a-vis the US on the one hand and Indonesia on the other hand.

The LDCs in general and the ASEAN countries in particular need to examine these developments more closely and assess their position on the issue of reciprocity. In fact, within GATT the principal exception with respect to reciprocity is that the obligation is effectively waived with respect to LDCs. This waiver has been regarded as no more than a *de facto* recognition of the power structure inherent in GATT. Should the LDCs as a group continue to insist on the waiver when in their midst some of the NICs have developed their industrial bases to a sufficient degree to honour the principle of reciprocity? This question, in fact, lies at the heart of the so-called graduation issue which will be examined later. Another side of the same issue is the question of how the existing multilateral system could accommodate the demand for a more balanced, overall reciprocity.

An alternative to this as suggested by Cline, would be a more active use of GATT Articles XXIII (multification and impairment), and XXVIII (withdrawal of concessions). Article XXIII gives a country the right to seek com-

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<sup>18</sup>*Ibid.*, p. 125.

compensation for multification and impairment of past trade concessions by other countries, for example, as a result of new or previously invisible NTBs. Article XXVIII permits a country to rescind previous trade concessions.

### Conditionality and Selectivity

The issue of conditional MFN treatment is closely linked to the approach to reciprocity. Unconditional MFN treatment involves "overall" reciprocity while conditional MFN treatment implies narrow bilateral or sectoral assessments, which intrinsically involves an element of discrimination.

Thus, this suggests the importance of trying to find solutions within GATT, even though such solutions would permit unilateral actions -- but only as a last resort. For instance, Article XXVIII can be invoked if and when multilateral support cannot be obtained for an Article XXIII action. The unilateral action in this case would still be subject to unconditional MFN treatment.

The issue of conditionality is important because the recent years saw a serious erosion of unconditional MFN. The most drastic departures from unconditional MFN have occurred in the MFA and in the various VERs that have arisen outside the GATT system. The NTB codes of the Tokyo Round, in particular those on Subsidies and Countervailing Duties and on Government Procurement, which are made conditional upon signatory status, have the effect of implicitly incorporating conditionality into the GATT system. As a matter of fact, the GSP itself is a major departure from MFN.

Indonesia and other ASEAN countries have been very unhappy with the conditionality of the NTB codes, the one on Subsidies and Countervailing Duties in particular.<sup>19</sup> Indonesia and the Philippines have acceded to the Code. However, the dismantling of MFA and unconditional application of the NTB codes, would mean that non-reciprocity can no longer be accepted. The GSP also will put on more shaky grounds.

Departure from the MFN clause has also led to the invention of the concept of "market disruption" which provide the legitimisation for governments to impose bilateral, discriminatory restrictions and thus, *selectivity*. There have been views suggesting that GATT Contracting Parties should be permitted to apply safeguard measures only against imports from those countries that apparently have caused the "injury." In other words, only the "guilty" should be affected by safeguard actions.<sup>20</sup>

<sup>19</sup>See Part II of the report edited by Soogil, *Pacific Perspectives*, the section on "Responses to the Survey on Issues for New Global MTN."

<sup>20</sup>For a further discussion of the argument see C. Fred. Bergsten and William R. Cline, "Trade Policy in the 1980s," in Cline, *Trade Policy*.



The failure in the Tokyo Round to negotiate a safeguard code was due primarily to this selectivity issue. The existing rule on safeguards is contained in Article XIX of GATT, the so-called "escape clause." This article allows a country to impose import restrictions in the case of serious injury -- or the threat thereof -- to domestic producers. The restrictions must be applied on a non-discriminatory basis and are subject to retaliatory action in the form of the withdrawal of equivalent concessions.

The proliferation of QRs appears to be related to the failure to deal effectively with the issue of market disruption in a multilateral, non-discriminatory, fashion. Indeed, the MFA is the crudest form of QRs where its discriminatory application is directed in particular against LDCs. It was, in fact, the first major derogations from GATT rules and its roots are traced back to the restraints placed on Japanese textile exports in the 1950s.<sup>21</sup>

Essentially, the objective of a new safeguard code is to limit the use of trade restrictions in cases of "market disruption." In principle, it is addressed to the disruptive consequences of the kinds of shifts in comparative advantage that are inherent in a dynamic growth of the world economy. It is from this perspective that the safeguard issue must be given high priority by ASEAN countries. It is equally obvious that "selectivity" is totally inconsistent with the problems the code is meant to address.

## Graduation

The principle of graduation, as spelled out most clearly in the Tokyo Round decision on "Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries," in fact was included at the insistence of the developed countries as a package deal together with the legitimisation of the special and differential treatment for the LDCs. This principle suggests that "as their capacity to make contributions or negotiated concessions or take other mutually agreed action -- would improve," so would be their ability "to participate more fully in the framework of rights and obligations under the General Agreement." However, no specific provisions were spelled out for implementing this principle.

The US Trade Act of 1984 includes an eight-and-a-half-year extension of the GSP but at the same time includes -- for the first time -- the elements of graduation namely on the basis of per capita income, which is defined as above \$ 8,500. In addition eligibility is linked to beneficiary's respect for intellectual

<sup>21</sup>See Ying-Pik Choi, Hwa Soo Chung and Nicolas Marian, *The Multi-Fibre Arrangements in Theory and Practice* (Dover, New Hampshire: Frances Pinter, 1985).

property. The Act also includes reciprocity measures which allows the US President to retaliate when barriers to US exports are not removed by negotiations.

On the basis of the Act the US had attempted last year to withdraw privileges under the GSP to Singapore's exports of microwave ovens and electronic goods (including TV sets). New Zealand also attempted to "graduate" Singapore from its GSP scheme on the basis that Singapore's (and Brunei's) per capita income exceeded 70 per cent of that of New Zealand.<sup>22</sup> This country graduation -- rather than product graduation -- has caused some anxieties, especially on the part of the NICs or other richer LDCs. It is also seen, in fact, as a threat to the continued efficacy of the UNCTAD approach, which is based on the premise of a "unified and homogenous South." It is in this spirit that ASEAN has been firm in supporting Singapore's opposition to the "graduation" moves on the part of a certain GSP donor countries. UNCTAD criticism that the flexible application of the graduation concept led it to become merely "a tool for extracting concessions in negotiations" seemed to be warranted.<sup>23</sup> But, indeed, this was what the concept was aiming at.

Rather than having a system which led to the creation of other MFAs as more Japans are emerging -- in particular in East Asia -- it may be better to find modalities in which concessions by the NICs can be negotiated in a multilateral fashion within the GATT system. After all GATT is a forum established for that purpose.

Hufbauer and Schott suggested that the concessions which the LDCs were likely to be called on to make would involve: (a) liberalisation, whose pace should be phased according to the level of development and the balance of payments circumstances of each country; and (b) greater concessions from the NICs than from the other LDCs, and which could take the form of conversion of QRs to tariffs, further reduction of absurdly high tariffs, "binding" of tariffs, reduction of trade-related investment restrictions, and dismantling of countertrade requirements.<sup>24</sup> It should be in ASEAN's own self-interest to be actively involved in the negotiations on the graduation and the concessions it entails.

The above discussions clearly suggest the importance for the ASEAN countries themselves of an active ASEAN involvement in the forthcoming eighth round of MTN, the Uruguay Round. ASEAN as a group so far has not established any regional mechanism or body to systematically prepare ASEAN's positions on the various issues which will be placed in the agenda of Uruguay Round.

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<sup>22</sup>*Far Eastern Economic Review*, 23rd May 1985 and 13th June 1985.

<sup>23</sup>UNCTAD, *Trade and Development Report, 1984* (New York: United Nations, 1985), p. 75.

<sup>24</sup>See Hufbauer and Schott, "Trading for Growth," p. 36.



# Internal Developments in Singapore

CHAN Heng Chee

This paper adopts a current perspective and take the liberty of assuming, since Indonesia and Singapore are such close neighbours and longtime partners in ASEAN, that the broad contours of political development in Singapore are familiar to Indonesians. The political ascendance and dominance of the People's Action Party (PAP) Government in Singapore, the eclipse of the communists in the early sixties, the navigation through merger with Malaysia, confrontation and separation, the marginalisation of the opposition parties, the development of modern independent Singapore and the recently initiated political "self-renewal" exercise are political milestones punctuating Singapore's contemporary history. The entry point of this paper is the 1984 General Election and its objective is to document and analyse recent internal political developments as these events represent developments at a critical transition and could well determine the shape of future politics in the republic.

## THE NEW POLITICAL CONTEXT

Without doubt a dramatic change has occurred in the context of Singapore's politics in the last eighteen months. This change came as a result of five factors.

*Factor One:* The change began in 1981 when J.B. Jeyaretnam of the Workers' Party was elected to parliament in the Anson by-election thus ending fifteen years of PAP total domination in the Singapore legislature. That the electorate now wished to support an opposition presence in parliament was

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again confirmed when it elected two opposition candidates in the 1984 General Election and registered a 12.6 per cent vote swing in favour of the opposition parties.

Hitherto in each successive election since Singapore's independence, the PAP managed to win between 70-75 per cent of the total valid votes in spite of tough unpopular policies rationalised in terms of national interest. In the 1984 General Election, after a year of successive controversial policies from the government, the electorate indicated it could no longer be taken for granted and protest votes were widespread. This was the first signal that the depoliticised population had matured. Initially the performance of J.B. Jeyaretnam in parliament as the lone opposition voice was fumbling and lacklustre. Arrayed against 74 PAP Members of Parliament (MPs), without organisational resource, his actual impact in discrediting the ruling party, which is the objective of all opposition politicians, was limited. The election of an opposition MP however, illustrated to the Singapore electorate that the PAP was not infallible. Through the opposition's aggressive use of question time in parliament, government was made more accountable and open. If over the years, the population in Singapore had come to understand the essence of democracy to reside firstly, in efficient and non-corrupt government, secondly, in the increase in the welfare of the citizens, and thirdly, in a benevolent paternalistic government, it now rediscovered a fourth element, that is, checks on absolute power.

*Factor Two:* The emergence of a new generation of leaders and the transfer of responsibility and power to its hands kindled fresh expectations that a new style of politics would follow. As the new ministers, men in their forties, were not involved in the frontline struggle with the communists, it was generally thought they would be less hardline showing a greater tolerance for political opponents; in any case they are still in the process of establishing their authority and legitimacy as leaders. Consequently, 1DPM Goh Chok Tong and his colleagues, Dr. Tony Tan, Ong Teng Cheong, S. Dhanabalan and others opted for a more consultative and consensus-seeking style and promised a more open government. The 1984 General Election played its part in convincing the party leaders that a new political style was necessary to deal with the repoliticised, articulate and better-educated population who had enjoyed a continuous period of stability and affluence. Inevitably, this has become a period for the testing of political parameters by the people and a search for a redefinition of the politically tolerable by the new leadership. The net effect, willynilly, is the liberalising of the political environment.

*Factor Three:* In line with its policy of introducing a more open style of government and as part of the process of political education for the people, the Cabinet took the decision to televise parliamentary proceedings in March



1985. The consequences have been much more far-reaching than anticipated by the authors of the decision and the impact of television upon the politics of Singapore is not as yet fully appreciated. All considered, the televising of parliament has been the most democratising factor in politics in recent years. The act of bringing parliament into the living rooms of the people on a regular basis demystifies power and diminishes the awe for the elected MP, for the representatives are shown in their human dimensions, and in most cases appear lacking in confidence and faltering. The two opposition politicians gained in exposure whilst the defects in the delivery and communication on the part of PAP Ministers and MPs were highlighted. Television has awakened the interest of people in politics and law-making especially for those who would not normally read reports on parliament in the newspapers.

There has been a rapid repoliticisation of the Singapore population to a far greater extent than could have been possible if the people were left to the printed media as their main source of information on local politics. The viewership of "Today in Parliament" was surprisingly high. 37 per cent of the population reported watching the programme in March 1985.<sup>1</sup> A year later, the Chinese version of the programme was still ranked among one of the top ten programmes on television, holding its own among the popular Hongkong, Taiwan and local drama serials.<sup>2</sup> This is statistically significant as the Chinese viewership is much larger than the English viewership on Singapore television.

*Factor Four:* As most studies illustrate elsewhere, macro-economic performance has an impact upon political behaviour, so in Singapore, the economic recession stimulated a normally quiescent population to speak up, particularly on matters of economic self-interest. In 1985, the Singapore economy shrank by 2 per cent after a consistently high growth rate of 8-9 per cent in the last five years and double digit growth in the early seventies. The worst hit sectors were manufacturing, construction and the retail trade. Individual citizens and professional groups muted by the affluence of the previous years grew vocal in their diagnoses of what went wrong and aggressive in their prescriptions of what was needed.

*Factor Five:* Finally, in the 1980s, Singapore had become home to a growing small strata of educated elite, many of them beneficiaries of government largesse through the generous scholarships for education and overseas training. In the republic itself the university population grew from 9,078 to 13,783 between 1980 and 1984.<sup>3</sup> In the last three years the quality of public policy criticism in readers' letters to the newspapers, an important mode of political

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<sup>1</sup>*The Straits Times*, 6 March 1985.

<sup>2</sup>*Ibid.*, 27 March 1986.

<sup>3</sup>*Annual Report 1980 and 1984*, National University of Singapore.

participation in Singapore, has improved considerably and is evidence of the presence of an educated politicised minority whose allegiance no government can afford to alienate. The enlargement of this minority changes the quality of the political context for political leaders are required not only to fill the rice bowl; they have to produce cake with rich cream as well. Indeed, politicians must now deal with the politics of two cultures -- simultaneously -- the demands of the average lower middle class worker whose values and aspirations are different from that of the sophisticated, liberal, educated middle and upper middle class executive, managerial and professional elite, who are most concerned with participation in decision-making.

### THE NEW LEADERSHIP TAKES OVER

On 1st January, 1985 the *Straits Times* announced the new PAP Cabinet after the General Election. The most significant changes were the promotions of second-echelon leaders Goh Chok Tong to first Deputy Prime Minister, and Ong Teng Cheong to second Deputy Prime Minister demonstrating that Prime Minister Lee Kuan Yew was seriously pushing his plan for leadership succession in the political system. In the present Singapore Cabinet today, only the Prime Minister, S. Rajaratnam, the Senior Minister in the Prime Minister's Department and E.W. Barker, the Minister for Law belong to the old guard leadership. The front runner in this select leadership circle is clearly 1DPM Goh Chok Tong. In the same circle with him are Ong Teng Cheong, Dr. Tony Tan, S. Dhanabalan, Dr. Ahmad Mattar, Prof. S. Jayakumar and Dr. Yeo Ning Hong. After the 1984 Elections, Brigadier-General Lee Hsien Loong, the Prime Minister's son entered the select circle.

In the actual process of transition, Prime Minister Lee has opted for a political arrangement where as Prime Minister his relationship with his colleagues is that of a final arbiter. The power to run the day-to-day affairs is handed over to the new team. Goh Chok Tong has described the Prime Minister's role in this way: "Unless the issues are so fundamental that they involve the national security of the country, we do not expect the Prime Minister to overrule us. We will run the place and we must be left to run the country. But if the Prime Minister feels we are taking decisions which will undermine the survival of the country, I think he deserves the right to intervene."<sup>4</sup> Prime Minister Lee undoubtedly still outlines the basic direction of the country. On another occasion Goh Chok Tong described the Prime Minister's relationship with the new leaders thus: "He will give us the ideas. We will take the decision."<sup>5</sup>

<sup>4</sup>*The Straits Times*, 1 January 1985.

<sup>5</sup>*Ibid.*, 6 January 1985.



Over the last eighteen months, the new leadership has become more aggressive in taking the lead in handling all the major issues of politics and reversing seemingly "irreversible policies" identified with the old guard. With the new team taking over the running of government, the Prime Minister concentrated his attention on missions overseas pursuing economic diplomacy to counteract the domestic vulnerabilities of the economic recession.

### GOVERNMENT RESPONSES TO THE NEW POLITICAL CONTEXT

The new leadership recognising that the PAP had lost political ground in the last election opted for a consensus-seeking and consultative style. Dialogue was established with key political groups such as the trade unions, grassroots leaders, businessmen, students and professional groups with IDPM Goh Chok Tong and Brigadier-General Lee taking on the role of communicators for the party. At each encounter the political leaders elaborated on the problems of the day, their vision of tomorrow and the necessary measures they intended to take to meet the situation, and were met in turn with equally frank and hard-headed criticisms and questions. A willingness to listen appeared to be the hallmark of the new team.

A Feedback Unit with access to the IDPM was established in April in the Ministry of Community Development providing an institutionalised channel for citizen complaints on administrative matters and the voicing of views on national issues. Since its formation, the unit has received an average of 100 letters a month from the better-educated and articulate section of the population, especially interest groups to reinforce their call for remedies to the recession.<sup>6</sup> Initially, the Feedback Unit was used as for redress of personal complaints but this has reduced after a year to about 5 per cent of the input.<sup>7</sup> The Feedback Unit is meant to augment but not to replace the grassroots institutions which are still seen to be the main barometer of the political health of the country. It has not limited itself to receiving feedback from the public through letters or through grassroots contacts. It has organised and participated in forums dealing with government policies entertaining questions from the audience.

Yet, another measure of the new style of leadership was the proposal for the creation of Town Councils which was mooted by PAP backbenchers after the elections as an avenue for citizenship participation in government. The public housing policy of the PAP, introduced as a progressive social policy had, by 1984, housed 80 per cent of the population in Housing and Develop-

<sup>6</sup>*Ibid.*, November 1985.

<sup>7</sup>*The Mirror*, Vol. 22, No. 5, 1 March 1986.

ment Board (HDB) flats. But a government cast as landlord inevitably becomes the focus of criticism and discontent particularly in a situation where manifold regulations are introduced to manage order in what amounts to townships. Thus, the new leadership appears keen to set up Town Councils in HDB estates to involve citizens in the financial and administrative responsibilities of managing the estate environment. In March 1986, the Minister of National Development stated in Parliament that the first experiment was likely to be introduced in the middle of the year at the Ang Mo Kio HDB estate to take on functions of management committees in housing estates.

Significantly the new leaders took the initiative to reverse highly unpopular and controversial issues which had alienated voters and were the targets of opposition criticism. During the year the government reversed the "graduate mums" policy which gave priority in school admission to children of graduate mothers, modified early streaming in schools on a merit basis and abolished double weightage for language subjects in the decisive primary school leaving examination. It also relaxed the stringent criteria governing admission to Secondary Five, the preparatory class for the normal stream students (an euphemism for slow learners whilst fast learners are placed in the express stream) for the Cambridge GCE "O" levels which was the cause of frustration and bitterness. But the most courageous step was the announcement on 2nd December by IDPM Goh and Dr. Tony Tan on the same day that the CPF contribution could be cut as a temporary measure to revive the economy for CPF was regarded as a "sacred cow" in government policy.

There was genuine concern to keep a check on the growth of the powerful Singapore bureaucracy. In most of the feedback on the state of the economy and the alienation of the voter, it was clear that the bureaucracy's tendency to resort to regulation and over-regulation had reached a point of diminishing returns. The bureaucracy acknowledged to be efficient and effective had become inflexible and obstructionist in some aspects, spawning criticisms about "mindless efficiency." Shortly after Goh Chok Tong took over as IDPM, Goh spoke of the desire of government to reduce unnecessary rules and regulations which had become irrelevant with time. In December 1985, Dr. Tony Tan dealt with this problem from a different angle. He reminded administrative officers that they should develop the "knack for spotting the policies which should be modified or reversed because they are no longer appropriate or are having adverse effects" and that civil servants should have the courage to warn political leaders of the pitfalls of policies during policy formulation.<sup>8</sup> This was incidentally a point made by a respected former Head of the Civil Service, George Bogaars, at his retirement in 1981 in a retrospective interview.

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<sup>8</sup>*The Straits Times*, 28 December 1985.



If the population in Singapore read the new developments as a trend in the liberalisation of PAP governing philosophy, there were regular reminders that core party concerns remained unchanged. The electoral behaviour of 1984 severely shook the PAP leadership when substantial votes were won by unknown and poorly educated opposition candidates. Since then, the Prime Minister and Goh Chok Tong have warned Singaporeans of the occurrence of a "freak" election, that is, when Singaporeans casting protest votes against the ruling party might find themselves saddled with a party or a coalition of parties in power which they did not really want. The belief that political stability is an essential prerequisite of economic development was a constant theme during 1985. In November before the Fletcher School of Law and Diplomacy in the United States, Goh Chok Tong maintained unequivocally that a two-party system was not suitable for Singapore, a country constrained by size and talent. In his view a "major party and several minor ones," that is, a dominant party system is better tailored to the needs of the republic. Then in October 1985, Goh raised the question in *Petir*, the party publication, on whether more stringent requirements were necessary for people who aspire to enter Parliament. Goh saw the major weakness of democracy to lie in the overly liberal entry requirements for those aspiring to political leadership and in democracy's reliance on the electorate, choosing in its best interests, to act as the main safeguard. A report in January 1986 that one of the Workers' Party candidate in the last election was charged with the offence of counterfeiting US currency notes stirred up the discussion again of checks on the quality and integrity as political aspirants.

The Newspapers and Printing Presses (Amendment) Bill was the clear signal that the substance of the party had not changed if style had been modified. The objective of the proposed legislation was to empower the government to restrict the circulation of foreign publications that are deemed to be interfering in the internal politics of Singapore. A spate of critical and at times tendentious and inaccurate reports on the republic's current state of politics, economy and judiciary convinced the leadership that the government should register its displeasure short of a total ban on the publication. In proposing this bill, the PAP Government left no doubt that, as in the past, it was prepared to take the necessary if controversial steps to preserve what it defined as the higher interest of the state.

In a repoliticised Singapore the Newspapers and Printing Presses (Amendment) Bill did not go unchallenged. On 21st May, the newly elected president of the Law Society, Francis Seow, issued a press statement critical of the proposed legislation. The act read as a political move by the government led to month long raging debate in the letter columns of the *Straits Times*, the national daily, on the right and wrongs of this course of action on the part of a

professional body. The government's position, espoused by 1DPM Goh Chok Tong, Senior Minister S. Rajaratnam and the Acting Minister of Community Development and Minister of State (Communications and Information), Wong Kan Seng was basically, that the Law Society had strayed beyond ambit of competence and had turned political. 1DPM Goh suggested that the Law Society had embarked on a "collision course" with the government since it was seeking to take on the government publicly in its policies. The critics of government, arguing for the participation of professional societies in public policy-making, were seeking to broaden the arena of participation in decision-making. In clarifying the model on who should speak and how to speak, the new guard and the old guard have the same political understanding. Like the old guard, the new guard rejects the style of confrontational politics, the politics of independent mobilisation and pressure as a viable politics for Singapore. Instead, the new leaders seek to establish better channels for citizen participation in decision-making. Democracy "Singapore style" recognises the rights of individual citizens to participate in and dissent on all public policy making but not the claims of organised interest groups to participate *except* in their specifically defined areas of interests and never in a style of confrontation. Interest groups who stray into a broader definition of interest is deemed to be political and are to be treated as political adversaries.

In fact in April 1986, the Prime Minister returned with vigour to give a lesson in parliament to his younger colleagues on vintage PAP toughness when dealing with political opponents. Prime Minister Lee engaged in a bitter verbal duel with J.B. Jeyaretnam on the issue of the independence of the Singapore judiciary. Perhaps the Prime Minister perceived a sense of drift in the society which he wished to check, that the new PAP openness was mistaken for a sign of weakness on the part of the political leadership. In returning to a harder tone he underlined the power potential which could be brought as always against adversaries wishing to take on the government. It will not be at all surprising if the new leadership will seek to project greater assertiveness from this point on.

## MANAGING THE ECONOMIC RECESSION

If politics took command in the early post-election period, the government's attention was swiftly redirected to economic matters. In 1985 the economy shrank by 2 per cent after an average of 8.5 per cent growth rate for the previous five years. What was surprising to most Singaporeans was the suddenness of the economic decline. By June 1986, the unemployment rate was 6.3 per cent, unprecedentedly high comparable only to the economic stagnation of the Confrontation years and the economic forecast is for yet another year of negative growth.



The government introduced correctives in the March Budget in 1985 when the Finance Minister Dr. Tony Tan, recognising the recessionary situation, offered tax relief to businesses and industries by suspending the payroll tax for two years and reduced the 4 per cent Skills Development Fund contribution by half. The government also spoke of its intention to privatise, to cut back on the burgeoning public sector which businessmen listed as one contributory cause to the squeezing out of private enterprise.

The Economic Committee chaired by Brig-Gen Lee Hsien Loong was charged with the task of devising counter-recessionary measures and to look into the long-term recharting of an economic course for the city state.<sup>9</sup> Most of the measures introduced subsequently were directed at cutting the cost of doing business in Singapore, such as cut backs on ancillary costs in utilities, property tax, rents, petrol tax and other mandatory payments. Schemes to help the small businesses such as the establishment of a S\$100 million venture capital fund and the reduction of the interest rate on loans from the Small Industries Financing Scheme were conceived to assist this neglected domestic sector. But the politically most important and sensitive economic measures introduced were the cut in the employer's CPF contribution from 25 per cent to 10 per cent, which amounted to a de facto pay cut for the bulk of the working population, and the policy of wage restraint. The fact that the new leaders have been able to persuade the trade unions to support these policies is a measure of their success in handling the economic crisis.

Aside from measures introduced domestically to make Singapore a more competitive location for investment and business, a more pronounced economic diplomacy was mounted. The Prime Minister led an important mission to the People's Republic of China, the United States, Australia, Taiwan, South Korea and the Philippines where economic matters rated high on the agenda of discussion. The new leadership, has also travelled omnidirectionally to gain international exposure and to convince investors abroad of the continuing opportunities in Singapore.

## STRENGTHENING PARTY ORGANISATION

The poor showing of the party at the election suggested that serious rethinking about the state of the PAP party organisation was imperative if the party were to regain political support. Throughout 1985, Goh Chok Tong, as the Assistant Secretary-General of the PAP (Prime Minister Lee still retains the Secretary-General's post) visited constituency branches to ascertain the problems and requirements or reorganisation. In 1986, the party decided to

<sup>9</sup>Report of the Economic Committee, *The Singapore Economy: New Directions* (Singapore: MTI, 1986).

push for a higher profile and to refurbish the party image. In May the PAP announced the establishment of a PAP Foundation with a S\$1 million contribution from the party. Its target is to raise the sum of S\$3 million by 1988. The objective of the foundation is to support social and educational activities in the constituency.<sup>10</sup>

As a party in power and one which had ruled the country for twenty seven years, the PAP's dilemma was that its party identity and party image was fused with and subordinated to government. In fact there was a long period of neglect of party organisation, so much so, that S. Rajaratnam was prompted to write in the souvenir issue of the 15th Anniversary of the party on, "The Problems of the Party in Power."<sup>11</sup> Its message was to reassure party cadres who felt they had no more role to play. Some serious attempts to revive and strengthen the party organisation were made after Anson was lost.

Today, political education for party members and cadres is organised through workshops, forums and seminars on a regular basis and *Petir*, the party newspaper has changed its format with the new leaders giving greater emphasis to party and membership matters as well as current political issues.

The party has also formed a committee to establish a Youth Wing with Brig-Gen Lee Hsien Loong as the chairman. The other members of the committee include Wong Kan Seng, Yeo Cheow Tong, and Lee Boon Yang. The Youth Wing meant for those 35 years and younger is designed to capture the support of the new generation of voters.<sup>12</sup>

In strengthening party organisation, the PAP is keeping its party machine well-oiled for the next election when it anticipates keen competition from opposition parties. There is a general expectation in the circles of the political leadership and among the political public that the next general election will most likely attract a new crop of young professionals and corporate executives who may be tempted to enter the fray in view of the departure of the old guard from the political scene and the new political mood among the electorate.

A paper on the internal developments in Singapore cannot conclude without a couple of paragraphs on the political opposition. This is a difficult subject to write about as opposition in Singapore is an amorphous phenomenon which is often confused with a critical stance on one, some or all policies of the ruling party. Organised opposition is in fact hard to identify and twenty seven years of PAP rule has flushed out virtually all extra-constitutional opposition.

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<sup>10</sup>*Petir*, May 1986.

<sup>11</sup>*15th Anniversary Celebration Souvenir* (Singapore: PAP, undated), pp. 32-34).

<sup>12</sup>*Petir*, March 1986.



At present there are 19 opposition parties registered in Singapore. Only seven to eight remain active at elections and 2 have gained a seat each in parliament. The elected opposition enjoys a reputation out of proportion to their actual party strength. The Workers' Party of J.B. Jeyaretnam has enlarged its supporters to some degree, to include a small circle of university graduates. This is reflected in a better parliamentary performance of J.B. Jeyaretnam in the last 18 months and higher quality party paper, *The Hammer*. But membership in the opposition is still not a matter of open affiliation in Singapore. If J.B. Jeyaretnam has attracted new adherents many are adopting a low profile, a curious posture for effective political work, even if understandable in the context of Singapore. The Singapore Democratic Party (SDP) the other party in parliament is in a state of disarray after a few of its party leaders parted ways with Chiam See Tong. A new party, the Singapore Solidarity Party (SSP), has been formed by a former PAP Member of Parliament and SDP defectors which has little promise of developing beyond the status of the present clutch of minor parties.

## CONCLUSION

It is tempting for analysts to see every year and every stage of a country's social, economic and political development as significant and far-reaching in its consequences. Only in some instances are such claims warranted. Few would deny that Singapore is currently passing through a watershed transition, in which the first generation political leaders are retiring to regenerate the political recruitment and political succession process. Such political change usually raises important questions about legitimation and support of a new political leadership, the continuity and change in political style and goals and the probable reshaping of the political system. The internal developments in the last 18 months suggest a pattern of continuity at the deeper level of leadership values and goals and some change at the level of means. The society however is rapidly evolving to a higher level of political consciousness and less complaint political behaviour. The central question is whether the new leadership can deal with the new social forces without substantial revisions in its political model.

# Book Reviews

## Political Forces in Indonesia

*Analyses of Political Forces in Indonesia* (In Indonesian: *Analisa Kekuatan Politik di Indonesia*). Jakarta: LP3ES, 1985. This review is written by Robert Kristaung, National University, Jakarta.

### I

Writing a good book review is not an easy task. It is even more so if the book to be reviewed consists of a compilation of writings written by a number of authors with different backgrounds as is the case with the book entitled: *Analisa Kekuatan Politik di Indonesia* (Analyses of Political Forces in Indonesia). The writers range from scientists, observers, political practitioners, researchers to government officials, who undoubtedly have different social, political and educational backgrounds. Hence one will notice the plurality of colours in the writings though concerning one subject which is being discussed namely the political forces in Indonesia. Accordingly, it would not be easy to draw a red line with regard to what analysis are to be made and to come to a conclusion for a certain prospect. This is the more so as these writings were written in different periods of time. Therefore, at times the issues analysed are not in a successive order, though attempts have been made to link one with the other.

The book itself is divided into three parts. The first part is entitled: Military and State. This title has a flaw in that it gives the impression as though the military and the state con-

stitute two separate systems, though it is not meant so. The second part deals with the Youth and Politics, whereas the third part discusses issues on political parties. Such division seems to be inadequate, since the status and function of political parties have a much higher and a more wider scope. One may argue that the youth or university students possessed a major position and role compared with a political party within a certain period of time, but such an argument is not quite correct. It would have been better to insert the issues on political parties in the second part and the elaboration on the youth in the last part of the book.

In fact in the introduction which is subtitled "Political Forces: Perspectives and Analyses" one expects to find a clear and explicit definition as to what is meant by political forces.

Unexpectedly one is introduced to an account on the development of the most contemporary study on politics called "Alternative Approach Analysis." An approach which is in fact Weberian and Marxist in nature with some revision adjusted to contemporary condition.

According to Farhan Buikin, "The alternative approach and analysis accepts the interdisciplinary approach" (pp. xi-xv). He expounds further that this contemporary analysis is divided into four major outlooks and methods of analysis, i.e. the theory on Dependency; Bureaucratic-authoritarian State; Corporate-Organic; the Approach of World and State Systems in a Peripheral Society (pp. xv-xxii).

However, by presenting the description of this contemporary approach does however not mean that the readers will find its application in this compilation of writings. This has also been realised, as obviously stated: "the com-



pilation of writings presented in this book has not as yet purposely combined the analyses on political forces with extensive and pervasive issues proper to the alternative analysis and approach ..." (p. xxv). It is an honest admittance and it is hoped that this is not merely an apology.

## II

In the second part on military and the state, Nugroho Notokusanto's writing is in the first place presented under the title, "The Armed Forces in the Political Game in Indonesia." Using two kinds of approaches, namely the reflective historical and the comparative approaches, he presents his discussion on the military. He introduces to the readers the history of military development in Indonesia, the reasons and background of ABRI's (the Armed Forces') Dual Function. As to the latter one may draw the conclusion that it cannot be separated from the attempt to justify the dual function.

Virtually the two approaches used are not flawless, since in the following sections of the writing some military concepts are used which have blurred the initial approaches. Consequently the writer is trapped in discussing the military structure and elites, issues on generational succession and the socio-economic environment which have affected the military. So this writing cannot be detached from being in the defence of the armed forces' dual function which is assessed negatively by some circles. By virtue of his position as a scientist, the writer denies all those negative assessments. He has even left a message saying that "the application of foreign models which are incompatible with the reality of TNI/ABRI (the Army/Armed Forces of the Republic of Indonesia) should be avoided." (pp. 9-10). He does not elaborate further on what he meant by foreign models. Nevertheless, this article is pleasant to read as an introduction to understand the "official" view on the military in Indonesia.

The following article is written by Taufik Abdullah who gives an expose on civilian-military issues in the Third World. This writing is an attempt to give an overall illustration on the military in this part of the world. Apparently

ly the civilian-military distinction has become unacceptable amongst a number of Indonesian scientists, including the writer himself. He puts more emphasis on the function of respective groups in the relationship rather than stressing on either rivalry or conflicts. In other words, what should be developed is the harmonious relationship between the civilians and the military in performing their respective functions. If this train of thoughts is used, the problem that will arise is as to what would happen if one of the parties unquestionably took over the task of the other party. Having a monopoly of tasks which economically means exercising a onesided control over resources, will eventually give rise to conflicts. This is not elaborated further by the writer if such a condition occurs, one which is prevailing in nearly all Third World countries ruled by the military.

The next writing is presented by one of the Founding Fathers of TNI/ABRI,<sup>1</sup> T.B. Simatupang who writes: "Menelaah Kembali Peranan TNI: Refleksi Kesenjangan dan Perspektif Masa Depan" ("The Role of TNI Revisited: A Historical Reflection and Future Perspective"). The topic of his discussion is centred around an outlook in order to understand the role of TNI in a Pancasila State in the future and the expectations he wants to convey to the readers.

In essence, what is being said to be the role of TNI has been widely known by the society, namely as fighters in the struggle for independence, the development of the military function in the classical sense, as the guard and guardian of the Pancasila ideology and the 1945 Constitution, and in line with the demands of this age, namely to function as stabiliser and dynamic factor of the nation.

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<sup>1</sup>Apart from Simatupang, A.H. Nasution and Ocrip Sumohardjo should be consecutively mentioned as the Founding Fathers of the Modern Indonesian Armed Forces. This view does not purport to belittle the contribution made by the other TNI/ABRI prominents. As a matter of fact those figure-heads laid the modern military foundations within the Armed Forces of the Republic of Indonesia during the onset of the independence period and beyond.

This latter role refers in fact to a pluriform and multifaceted notion, so that it would be difficult to look for a concrete definition and criterion. One may even say that it is very elastic in nature, depending upon the need and situation of a state and nation.

Simatupang's writing shows some similarity with Nugroho Notokusanto's writing as elaborated earlier, namely both of them do not accept the view that the embryo of TNI/ABRI was KNIL (Royal Netherlands Indies Army) or PETA (Indonesian home guard troops during the Japanese period). In addition, both put forward reasons which do not widely differ on the causes of the development of the military's dual function known as the conception of ABRI's Dual Function.

Nevertheless, Simatupang has not set a "fixed price" concerning the dual role of the military. He hopes that TNI's role in the future will not be directed towards militarism or military dictatorship, but also without belittling the role of TNI. It is in this respect that he shares a common view with Taufik Abdullah in that the civilian-military relationship should be based on the division of labour, though expressed in a different way. However, the value inherent in it is quite similar. Simatupang says, "we see the need for close co-operation to reach common goals between TNI and other socio-political forces in our country" (p. 72).

Worthy of note is the fact that in his writing Simatupang never uses the name ABRI when referring to the military, he always uses the term TNI. It seems a trivial matter, but after reflecting upon it, it becomes interesting. For example, why is TNI only used by the Army, whereas the other armed forces (the Navy and Air Force) had not used it until it was made uniform in 1970. Conversely the name ABRI has been used since 1962.<sup>2</sup>

Having read Simatupang's writing, one will be invited to read a more elaborated history of

the military. After quite painstakingly scrutinising the contemporary military process one abruptly has to turn to the past. Onghokham, a wellknown historian, present his analysis with a quite brief title "Kedudukan Politik Kaum Militer dalam Sejarah" (The Political Position of the Military in History).

In his writing Onghokham puts forward two prime thoughts, i.e. firstly, the position of the military and civilian groups in the past. The civilian group, particularly the scholars, termed by Onghokham as *Cerdik Pandai*, (the learned people) were more superior than the military. This superiority had been maintained until the 18th Century both in Europe and Asia. Secondly, he discusses the position of the professional military in this 20th Century. The position of the scholars which was superior at the outset, is slowly but surely beginning to decline. This is primarily due to the development of technology and social change. This situation has made the position of the military on a par with that of the other professions. What is even more drastic is that it is capable of breaking through their own profession.

As though endorsing what has been put forward by Onghokham, Kuntjoro Jakti analyses some implications of the civilian-military relationship in various Third World countries. The main thesis he wants to convey to the readers is that the statement on the military as the agent of modernisation and development should be more closely studied. There is no need to look for recent samples in various Third World countries, but one should review the awakening of Japanese militarism at the onset of the period of Meiji's Restoration and all of us realise what the consequences were of Japanese militarism after the end of World War II. However, the most valuable lesson to be gained is that as a result of the Meiji Restoration which widely opened opportunities to all groups, Japan has thus reached a remarkable level of progress, though the definition of civilian-military relationship was very vague at that time.

However, the reviewer wants to suggest some small notes on the best possible order of the presentation in this first part. Dr. Taufik

<sup>2</sup>For the Chronological order, see Defence and Security Department of the Republic of Indonesia, *Buku Petunjuk Angkatan Bersenjata Republik Indonesia tentang Dwifungsi ABRI*, - Jakarta, 1982: pp. 16-17.



Abdullah's article should be presented first because his writing is an introduction to the understanding of the "jungle" of the military in politics in the Third World. It should be followed by Dr. Onghokham's writing illustrating the historical perspective of the military in Europe and Asia. It is to be continued by Simatupang's analysis, in view of his position as one of the founding fathers of the modern Indonesian army. Nugroho Notosusanto's writing will be the next, concluded by Dorodjatun's presentation, which conveys to the readers an outlook on the problem or implications of the military dual function in the Third World.

### III

The following writings discuss the youth and university students. Onghokham presents again a historical writing on the youth. He holds that youth movements in Indonesia emerged on account of the generation gap and socio-political structure. Through his historical description on the youth, their position and political role, the readers are introduced to the understanding of political channels used in the youth movements, namely through political parties and other social organisations. This has been going on since Indonesia obtained her independence.

This time his writing is not an indepth analysis. However, it focuses on the role of the Indonesian youth as of the period of the movements until 1966 and beyond. He draws the conclusion that the youth has not as yet occupied a position and played a strategic role in politics. The youth has merely become the "pawn" or spearhead of a revolution or social change. He very much expects the Indonesian youth to have a much broader outlook.

If Onghokham highlights the youth in a general sense, Burhan Magenda is more restrained in this respect. He tries to scrutinise the student movements and their connection with the political system. This issue is viewed from two different conditions, namely the objective condition which views the student movements in the light of a wider problematic

framework. The second condition is a subjective one which is based on an assessment of variables the scope of which is directly related to the students' interests.

Based on those conditions, Magenda expects the student movements to continue to exist. Notwithstanding the constraints, namely the existing political system which does not provide a not rather big opportunity for that and the unfavourable economic situation, the colour of student movements remain to exist. The objective and subjective conditions continue to provide opportunities for radical protest movements to university students.

After obtaining an illustration of student movements, Parakitri presents his writing which is essentially a criticism on the idealisation of the political role of the 1966 Generation. He analyses many aspects, particularly that which has always been spread around with regard to the strength of this generation. His assessment is quite dramatic, touching upon the fact that the role of the 1966 Generation in the 1965 upheaval only reached the level of spontaneity and was merely incidental in nature. They did not reach the level of creating a new paradigm in national political life (p. 161). This differs from the military, whom he considers as being more capable and prepared in exploiting the opportunity.

Marsilam Simandjuntak's presentation is not very much different from that of Parakitri's. They differ in the perspective analysis of the "strength" of the 1966-Generation. An ideal student movement, according to him, should function as a pressure group. It need not to incorporate itself within the political power structure. An expectation which appears to be difficult, since it requires from the students a sterile type of political activity while rather disregarding the environmental factor as an independent variable which affects either the political activities or the role of the students itself.

Abdul Gafur's writing entitled "Peranan dan Prospek Mahasiswa Indonesia di Masa Depan (The Future Role and Prospect of Indonesian University Students)" is an attempt to

re-illustrate the 1966-Generation and their objectives they wished to attain during the decades of the 1970s and 1980s. This writing does not reveal anything unusual, since it constitutes an account of a number of government's policies in the field of the youth (university students) which were already known and produced at the time when he was still Junior Minister for Youth Affairs and as State Minister for Youth Affairs and Sports.

Nevertheless, worth noting is his assessment on the failure of the students movement after 1966 (pp. 177-178). Among the six reasons for the failures, three of which he puts forward seem to be quite objective, namely that they were: being deceived by the result and effectiveness of the activities they had once launched in the Tritura (the three demands of the people) actions. They are using the same strategy whereas the targets and the situation of the field are already very much different; and are inaccurate in assessing political changes. Correct or incorrect that Gafur's assessment may be, history will judge it.

#### IV

The life of political parties has begun to decline since the onset of the Guided Democracy period. Such a condition has become increasingly more fragile during the following political system. The condition of political parties which is deteriorating sharply is analysed by a number of young intellectuals which constitute the last section of this compilation of the writings.

Daniel Dhakidae begins by giving a general picture about party systems that used to exist in Indonesia up to this last decade. So that at least there is a uniformity of approach in the analyses presented by Fachry Ali and Iqbal Abdurrauf Saimina on the United Development Party (PPP), Awad Bahasoan on Golkar and Manuel Kaisepo discusses the dilemma faced by the Indonesian Democracy Party (PDI) in its search for identity.

The uniformity of approach can be traced back in the history of the establishment of the

three political parties. Whereas the PPP and PDI are based on elements, Golkar (the functional group) has developed from the KINO (Basic Organisation Unit). The unearthing of the ideology or political culture of the respective parties also takes into account the party's structure not only on the basis of formal regulations but also on that of the existing political process. Particularly with regard to the formation of PPP and that of PDI, the writers agree that both were formed from the top and the fusion of the parties has not as yet reached any satisfactory result. This assessment is based on the level of rifts occurring in both parties. Nevertheless, it does not mean that there are no rifts within Golkar, however, compared to PPP and PDI, Golkar was more successful in controlling them. At least until the National Congress II of Golkar, rivalry between the KINOs still prevail, despite the KINOs were dissolved in 1971.<sup>3</sup>

Compared with PPP and PDI, Golkar excels in its growth and development. At least that is what one may understand of Awad Bahasoan's writing on Golkar's endeavours in the search for its new political format. At least Golkar's victory in the general election constitutes a yard stick, apart from the fact whether or not the process was a natural one. The law and government's regulations benefiting Golkar, the political network widespread all over Nusantara (Indonesia's Archipelago), the strong support from the bureaucracy (civil and military) are the following indications of this organisation's political superiority, not to mention Golkar's funds which are better than those of PPP and PDI.

#### V

By and large this compilation of writings is well-written and quite satisfactory. One is introduced to a deeper insight of delicate problems which need to be solved concerning the

<sup>3</sup>See Julian M. Boileau, *Golkar: Functional Group Politics in Indonesia*, Jakarta, CSIS, 1983: pp. 64-65. And Zulfikar Ghazali, "Golkar dalam Perspektif Sejarah," *Ilmu dan Budaya*, Th. VIII, No. 1/Oktobre 1985: p. 25.



military, the youth and political parties. Those three factors are vital and strategic components of the political system. Attempts made in producing constructive thoughts through analyses with a high intellectual content should be highly appreciated.

Another reason for rendering credit to the publisher is that these analyses are written by Indonesian scientists, observers and practitioners themselves. However, some notes should be added namely caution shown by a number of writers in expounding matters, which are sensitive and political in nature, rather vaguely is understandable. It undoubtedly demands the readers' understanding in this respect as those limitations are beyond the capabilities of the scientists or observers concerned.

Nevertheless, it would be opportune if at another occasion a second volume of writings be published containing matters on bureaucracy (civil), technocrats, and other interest groups, including social organisations being part of the political forces in Indonesia.

## Islam in Southeast Asia

*Readings on Islam in Southeast Asia* by Ahmad Ibrahim, Sharon Shiddique and Yasmin Hussain, Singapore: ISEAS, 1985, 407 pp. This review article is written by Djohan Effendi, Department of Religious Affairs of the Republic of Indonesia.

Southeast Asia is a region inhabited by a quite substantial number of Muslims. In Indonesia alone, for example, nearly 90 per cent of its inhabitants adhere to the Islamic faith. The more so, when East Pakistan separated itself from the Islamic Republic of Pakistan and became an independent country, Bangladesh, Indonesia ranks first as a country with the largest Islamic community. However, very

ironically this region with hundreds of millions of Muslims is still being considered by certain circles as a marginal region on the Islamic World map. Hence it stands to reason that there are not many writings providing rather adequate information on the development and life of Muslims in this region. Therefore the publication of *Readings on Islam in Southeast Asia* is very significant in order to fill up the scarcity of literature on Islam and the Islamic community in Southeast Asia.

This book is a compilation of a variety of writings written by authors with different expertise backgrounds. They comprise indigenous and foreign, Islamic and non-Islamic writers. Forty-eight writings presented in this book give an illustration in mosaic on the development and struggle of Southeast Asian Muslims, especially during the contemporary era after World War II.

This compilation of writings is divided into two parts, the former is given the theme "Historical Perspectives" and the latter "Contemporary Concern." In the former, two aspects have been emphasized by the editors, namely Early Islamisation and Colonial Rule.

When, from where, by whom and how the advent and development of Islam were during the early period of its arrival in Southeast Asia still constitute controversial issues. There has not been a consensus among the historians themselves in this regard. A number of writings are presented in this book under the theme of "Early Islamisation": giving an account on the arrival of Islam in Indonesia, the Islamisation process of Java and Malaya, the problem of relations between Islam and Malay Kingship and that of the Genealogy of Sulu, have enriched information on the above-mentioned issues.

To illustrate some aspects of the life of Muslims during the colonial period some interesting articles are included in this book by the compilers. In those articles issues on the struggle between Islam and Tradition, Islam encounter with communism, the Islamic peasants, resistance against the Dutch colonial rule in Banten, the conflict between Kaum Tua

(old guards) and Kaum Muda (the younger generation), and the development of Islamic modernist movement.

Except for the dynamic character of the happenings among the Muslims themselves, the policy of the colonial government, with regard to Muslims, is quite interesting to be studied. In this respect Harry J. Benda's writing concerning Snouck Hurgronje has contributed very significant information on the Islamic policy of the Dutch-East-Indies Government.

The writings in the first part mentioned earlier give a very adequate background information to comprehend further writings in the second part which places more emphasis on the contemporary life and development of Moslems in the Southeast Asian region. This part presented various articles which can be classified into four groups, namely: (1) Post-Independence Politics; (2) the Institutionalisation of Islam; (3) Socio-cultural Settings, and Perspectives on Modernisation.

Under the theme of Post Independence Politics the compilers present some articles depicting the struggle of Islam in political life in some Southeast Asian countries. The writings of B.J. Boland, Howard M. Federspiel and Allan A. Samson describe the Islamic struggle in Indonesia prior to the Old Order period, during the Old Order period and the early New Order period. Whereas K.J. Ratnam, Clive S. Kesler and N. John Fuston highlight the development of Islam in the political life in Malaysia. Worth noting is the information found in Peter G. Gowing's article on the position of the Muslim minority in the Philippines and Thailand, and especially Seddik Taouti's article the sufferings of the Muslim minority in Kampuchea and Vietnam and particularly concerning the condition of the Muslims in Kampuchea and Vietnam, they are, as Taouti puts it, really forgotten people.

The Institutionalisation of Islam in national and modern life always constitute a problem not only in Muslim countries but also in South-east Asia. The problem is usually centred around ideological and legal aspects. The issue on Islam and Pancasila as the Foundation of

the State in Indonesia is elaborated by Saifuddin Anshari. The development of the institutionalisation of Islam in Malaysia, particularly of that related to the position of Islam in the Constitution and the Syariat Law in the Judiciary field, is particularly highlighted by Ahmad Ibrahim and Abdul Majeed Mohamed Mackeen.

The problem of the implementation of the Syariat Law does not only occur in countries where the Muslim community constitutes a majority such as in Indonesia and Malaysia. It also happens in the Philippines. Cesar Adib Majul puts forward various problems concerning the implementation of mentioned Syariat in the Philippines.

Various cases on the institutionalisation of Islam were written by a number of writers. In this regard Umar Junus describes the payment of Zakat Fitrah in a Minangkabau community; Muhammad Zain Hj. Othman on the administration of Waqf in the state of Kedah; and Awang Hadi Saleh provides information on the experience of Malaysia concerning the modern concept of the Haj pilgrimage arrangements.

Discussions on Islam have very often overlooked the socio-cultural aspect. This issue is very significant for non-Arab regions where religion and culture are not always compatible with one another. Before the arrival of Islam in the Southeast Asian region, the local culture had grown and developed. Aside from that, the world religions, Hinduism and Buddhism had already flourished. They had even established great kingdoms. Hence the development of Islam is willynilly coloured by the indigenous culture and more or less also by the other religions prior to Islam. In this regard, a number of articles presented under the theme of Socio-Cultural Settings give a bird's eye view on the cultural situation of Islam in Java, some villages in Malaysia and South Thailand.

The last theme of the second part of this book entitled "Perspectives on Islam," is perhaps the most interesting. Here some writings are presented concerning the struggle of Islam and Muslims today when these Islamic countries are involved in the stream of modern-



isation. Said Ramadhan puts forward three issues which he calls three major problems faced by the Muslims, namely the problems of the understanding of Shari'ah, that of female Muslims and politics. Seemingly the article written by Sharon Siddique is complementary to that of Ramadhan, especially in the context of Southeast Asia. The problem as to whether Islam is only a religion or also an ideology constitutes a controversial issue, which is not only academic in nature but is also reflected in the political stance of the Islamic community. Various issues as raised by Sharon Siddique reveal this reality.

The issue of the so-called modernisation has been widely discussed in Indonesia up to now. One of the prominent figures in this regard is Nurcholis Madjid, a young Indonesian Muslim scholar. A variety of theses are written about him, among others by Kamal Hassan. One section of Kamal Hassan's thesis is presented in this part. In this writing he points out various views amongst Indonesian Muslim scholars on modernisation. Those views undoubtedly vary, not as far as substantial and pragmatic matters in modernisation are concerned but particularly in the ideological orientation adhered to by the circles of Muslim scholars in Indonesia.

In connection with Nurcholis Madjid's involvement in the modernisation effort in Indonesia, it is certainly noteworthy to read his own writing elaborating his views as a participant in the modernisation effort amongst Indonesian Muslims. Nurcholis Madjid's article may be more understood if the modernisation concept he has put forward is not kept apart from the efforts to give a response to the idea and process of modernisation that have to be made by the Islamic community. In the effort to give some response, it however appears that a collision of views amongst Indonesian Muslim scholars themselves, could not be avoided, not even today.

By and large, *Readings on Islam in South-east Asia* has quite successfully provided information on the development of Islam in South-east Asia, though in a bird's eye view. And the bibliography appended in this book is very use-

ful in the search for more information covering the life of Muslims in this region.

## The Take-off Stage

***Development Planning Politics: Theory, Policy and Prospect*** (In Indonesian: *Politik Perencanaan Pembangunan: Teori, Kebijaksanaan dan Prospek*) by Hendra Esmara, Jakarta: Gramedia, 1986, 66 pp. This review article by Dr. Prijono Tjiptoherijanto is translated from *Tempo*, 26th April 1986.

In the present unfavourable situation, possible alternatives should be sought in order to accelerate the development process. It is but certain that each alternative selected will in turn entail certain consequences. This is the more so, since Indonesia, being an ex-colony, cannot rid herself of the economic pattern which still remains a legacy of the colonial period.

Social life having post-colonial characteristics will no doubt be faced by any former colony. Hence the development pattern and policy which are being implemented cannot be separated from those prevalent in those countries being ex-colonies. Although one is aware of the fact that such patterns will not be fully adopted in the developing countries.

Another important matter reminded by this book is that the condition of the developing countries is not similar to that of the developed countries at the early stages of their development. So that the theory of the well-known economist, Rostow concerning the economic development stages for industrialised countries need to be revised if they are to be applied to developing countries.

Influence exerted by Rostow's theory, which is often related to the success of the Mar-

*shall Plan*, has coloured the development programmes in many developing countries. And it was that pattern also, upon which the thoughts were founded at the time the first UN development decade was declared (1961-1970). It was again for this reason that many countries made efforts in their investments, which were needed to boost their economy, to attain an increase of 10 per cent of the GDP.

However, after the end of that first decade, it turned out that many countries with a growth rate of 5 per cent and even those with a growth rate of 10 per cent did not attain the take-off stage. On the contrary, it was exactly the other way round. Inequitable income distributions become worse, and poverty was prevailing in those countries. In view of mentioned condition, the second UN development decade (1971-1980) therefore decided that, aside from economic growth, the equitable distribution of income and development gains need to be emphasised.

The aim of development which is emphasised on matters concerning equitable distribution had been applauded by the World Bank, which thereafter reiterated that the development be more directed towards the low-income bracket and the people living below the poverty line. The International Labour Organization, ILO also approved of the idea of emphasising the problem of equitable distribution and the providing of employment opportunities as the primary goal of development in the 1970s.

As to the economic development in Indonesia, Hendra Esmara discusses the possibility of attaining the take-off stage by way of foreign aid, which is still being received by Indonesia and it is hoped that it will still be able to sustain the development.

Quoting Rostow's view at the time the economic development expert was invited by the World Bank to contemplate again on his development concepts, he says that should the take-off concept in development be applied to developing countries, those countries should realise that such a stage would be attained if those developing countries were no longer in need of foreign soft loans (p. 56). Accordingly, as Hendra Esmara puts it, Rostow's train of

thoughts is in line with what has been written in the GBHN (The Guideline of State Policy) of 1983, in which it is stated that proceeding towards the take-off stage: "... The mobilisation of investment funds ... should be increased rapidly so that the role of foreign aid as a complement ... will increasingly be diminished and would eventually be able to finance all development endeavours independently ... Since, according to Hendra Esmara, the capability to independently finance all development endeavours without foreign soft loans is an indication that a basic change has occurred in the economic and social structure of a state, which may also happen to Indonesia. In such a situation the country has been able to form capital to a significant amount as a consequence of a high economic growth rate. Parallel to that the organisational and managerial ability has increasingly improved. So that other factors affecting the take-off stage, as stipulated in the GBHN of 1983, will undergo such changes so as to become a force capable of boosting the take-off process. If this train of thoughts could be accepted and if it is determined that in Repelita VI (the Sixth Five-Year Development Plan) the take-off stage should be achieved, or in other words that the country would have been able "to grow and develop on the basis of its own strength," hence according to Hendra Esmara, this means that the foreign aid programme, which has so far been co-ordinated by IGGI, would no longer be needed at the time. Accordingly IGGI, being one of the factors boosting the attainment of the take-off stage of Indonesia's development process, will only be successful 30 years after its formation.

It is true that in Rostow's old concept the factor of foreign aid constitutes the missing component, since it had not occurred in the experience of advanced countries when they attained the take-off stage. Hence the ability to independently finance all the development endeavours without foreign soft loans is an indication that a basic change has occurred in the socio-economic structure of a state. This may also happen to Indonesia when she would have attained the take-off stage in the future.

Besides, another factor which should also be taken into account is that apparently the



take-off stage calls for a basic change not only in the economic structure of a state, but also in its social structure and system. It is in this connection that the capability of a state in achieving the take-off stage is put to a test.

Particularly in the case of Indonesia which, because of its historical legacy, has a rather unfavourable social structure. Seen from the sociological point of view, Indonesia's social structure may be regarded as having the characteristics of a post-colonial society on the one hand and the resistant nature of "Javanese culture" on the other. The combination of the two characteristics has produced a society which has a central power and is somewhat directed towards a belief that smacks of "misticism." It is this reality that has led Hendra Esmara, in his book, to insert the opinion of Allen Sievers, who very much doubted Indonesia's capability to attain the take-off stage

in its development. Sievers opined that the influence of misticism in the Indonesian culture constitutes the main constraint in its development process. So that he concluded that there is no force whatsoever capable of boosting Indonesia's development to enable the country to attain the future take-off stage. Although Sievers' opinion as quoted by Hendra Esmara is rather exaggerated, it is however worth contemplating in order to draw a lesson from it. If a social change is expected, Indonesia does have to change its unfortunate social structure. On the other hand, Benjamin Higgins, according to Hendra, blamed the Dutch Colonial Government for Indonesia's delay in attaining the take-off stage in its development (p. 53).

It is exactly those flaws that call for a thorough study, so that improvements can be made in order to properly attain the take-off stage as determined.

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